



**PUBLIC ACCOUNTS COMMITTEE
1959-60**

TWENTY-SIXTH REPORT

(SECOND LOK SABHA)

**[WORKING OF THE IRON & STEEL CONTROLLER'S
ORGANISATION]**



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1960/Chaitra, 1882 (Saka)

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INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-sixth Report on the working of the Iron and Steel Controller's Organisation.

2. The Public Accounts Committee at their sitting held on the 22nd October, 1959 appointed a sub-Committee to enquire into certain aspects of the working of the Iron and Steel Controller's Organisation. The Report of the sub-Committee which is appended hereto was considered and approved by the Public Accounts Committee at their sitting held on the 24th March, 1960 (Appendix I) and should be treated as the report of the Public Accounts Committee.

3. A statement showing the summary of the conclusions/recommendations of the Committee is appended to the Report. (Appendix II).

NEW DELHI:

The 24 March, 1960

Chaitra 4, 1882 (Saka)

UPENDRANATH BARMAN,

Chairman,

Public Accounts Committee.

**REPORT OF THE SUB-COMMITTEE ON THE WORKING OF THE
IRON AND STEEL CONTROLLER'S ORGANISATION**

INTRODUCTION

I, the Chairman of the sub-Committee of the Public Accounts Committee, having been authorised by the sub-Committee, present this Report on their behalf on certain aspects of the working of the Iron and Steel Controller's Organisation referred to in paragraphs 36, 37, 38 and 39 of Audit Report (Civil), 1958 and paragraphs 35 and 37 of Audit Report (Civil), 1959.

2. At their sitting held on the 22nd October, 1959, the Public Accounts Committee appointed a sub-Committee consisting of the following Members of the Committee to investigate into the aforementioned case:

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri Shradhakar Supakar
3. Shri S. V. Parulekar
4. Shri Radha Raman
5. Shri Surendra Mohan Ghose
6. Shri Amolakh Chand
7. Rajkumari Amrit Kaur

3. The sub-Committee visited the Office of the Iron and Steel Controller at 33, Netaji Subhas Road, Calcutta, for an on-the-spot study on the 27th, 28th and 29th December, 1959 and also held informal discussions with the Iron and Steel Controller on those days on the points raised in the Audit Paragraphs.

4. The sub-Committee also examined the Secretary, Ministry of Steel, Mines & Fuel (Department of Iron and Steel), on 11th February, 1960.

5. The sub-Committee place on record their appreciation of the assistance given to them in the course of their examination of this case by the Comptroller and Auditor General of India.

NEW DELHI—1,
The 18th March, 1960.
Phalguna 28, 1881 (Saka).

UPENDRANATH BARMAN,
Chairman,
Sub-Committee of P.A.C.

I

IRON AND STEEL CONTROL

**Historical Background:* With the outbreak of hostilities in September 1939, it became apparent that the peace time procedure of procuring steel to meet Government requirements would not serve the purpose. Contracts were, therefore, entered into with the main producers for supply of steel at commercial prices ruling before the outbreak of war. Upto the end of 1940 there was an Adviser on Steel Supplies appointed by Government to assist Government to obtain steel for war purposes at reasonable rates. As time passed, the demand for steel went on increasing, whereas the position of imports became more and more difficult. In 1941 the Iron and Steel (Control of Production and Distribution) Order, 1941, was promulgated and the Adviser on Steel Supplies was appointed as Iron & Steel Controller with powers to control steel and to arrange for its sale at controlled rates to quota-holders.

With steel becoming scarce after the outbreak of war, the demand for scrap also increased and as the supply position of scrap was limited, the Iron and Steel (Scrap Control) Order, 1943, was issued in March 1943. Under this Order the Iron and Steel Controller was given full powers to distribute scrap at controlled rates.

The Iron & Steel (Control of Production and Distribution) Order, 1941 and the Iron and Steel (Scrap Control) Order, 1943, were amalgamated. Modifications on the basis of past experience were made and a new Order entitled Iron & Steel (Control) Order, 1956, was issued on 8th May, 1956.

2. The consumers are classified into eleven broad categories, e.g., Defence, Railways, Industrial Maintenance and Packing, Government Development Schemes, Steel Processing Industries, Private Industrial Development, Export, States (Agricultural), States (Non-Agricultural), Housing of Displaced Persons and Small Scale Industries. The demands under each group are scrutinised, consolidated and sponsored by various Sponsoring and Coordinating authorities and allotments are made at a quarterly meeting taking into consideration the essentiality of demand and availability of steel. Special quotas are allotted to the States for distribution to the general public and small scale manufacturers, both for agricultural and

*Based on material supplied by Iron & Steel Controller.

non-agricultural purposes. The distribution of the State quota is left entirely to the discretion of the respective State Governments. The distribution of scrap and defective iron and steel is also done through the State Governments. Quota Certificates against allotments are issued to individual allottees by the respective Sponsoring and Coordinating Authorities. Steel is obtained against Quota Certificates either by placing orders on producers through the Iron and Steel Controller or from controlled stock-holders direct.

3. *Administration*: The Office of the Iron and Steel Controller is divided into four main Divisions as indicated below:

1. Planning and Production.
2. Price and Accounts.
3. Steel Import Control.
4. General (e.g. Administration, coordination and purchase of steel).

From the middle of 1955, the tempo of work in the Office has been generally on the increase. This was mainly due to the fact that the Government of India decided to import large quantities of steel to meet the requirements of the Second Five Year Plan. From April 1956 onwards, huge consignments of steel arrived at the ports, of Calcutta, Bombay and Madras. As the Office of the Iron and Steel Controller was located at Calcutta, the day to day problems relating to congestion at the docks and the movement of steel to the consuming centres from the port of Calcutta were being looked after satisfactorily. It was, however, not possible to exercise the same control over the ports of Bombay and Madras. This necessitated opening of two Regional Offices at those ports in the middle of 1956 in the interest of the steel consumers of those regions.

4. **Price*: The Price & Accounts Division of the Organisation deals with the following:—

(a) All adjustments through the Equalisation Fund viz.,

(i) Recovery of surcharge (difference between Sale & Retention Prices of iron and steel) from Main Producers.

(ii) Payment of subsidy (difference between landed cost and

*As the scope of examination by the sub-Committee related to only the Price and Accounts Division of the Organisation, the description of the Organisation is confined to this Division only.

controlled price of subsidised imported steel) to Importers.

(iii) Adjustments with Registered Re-rollers.

(iv) Revaluation of the stock of steel held by controlled stockholders on dates of change in controlled prices.

(v) Payment of Road|Rail Transport charges and other miscellaneous claims to Producers, Re-rollers, stockists and consignees.

(b) Fixation of sale and retention prices of controlled categories of indigenous steel and fixation of price of steel imported under commercial licence on the basis of landed cost.

(c) Import and sale of steel imported under Technical Cooperation and Assistance Programme (Residual work).

(d) Realisation of value of Disposals|Surplus Scrap and Steel of Government Departments from tenderers or allottees and payments of refund claims pertaining to the same.

(e) Maintenance of accounts relating to Equalisation Fund (Cash Book, ledger, trial balance, balance sheet etc).

5. *Scheme of equalisation of price of steel:* Till February, 1943, the main producers of Steel (TISCO and SCOB) were selling steel at their own commercial port prices and Re-rollers used to charge competitive 'ex-works' prices based on their cost of production. In respect of supplies to Defence Department, however, the main producers were charging a uniform price ex-works (i.e. War contract price) by a special arrangement. Thus different prices prevailed for the same category and size of steel.

In 1943 a scheme of uniform prices was introduced with regard to supplies by Re-rollers. From the 1st of July, 1944 a one-price scheme was introduced. Under this scheme the Main Producers were to sell steel at controlled rates (selling price included an element of *freight plus place extra*) to all their customers and credit the difference between the controlled price and retention price (based on cost of raw materials, conversion cost and other admissible charges) to the "Iron and Steel Controller's Equalisation Fund."

Later in 1948 when it was decided that imported steel should also be supplied at controlled rates, the difference between the imported prices and controlled prices of such imported steel was paid as subsidy to the importers out of the Equalisation Fund.

II

Outstanding dues from two main producers of steel—Para 36 of Audit Report (Civil), 1958.

6. During the period of 1st May, 1949 to 10th June,* 1956, the selling price of steel (f.o.r. destination) supplied by the two main producers (TISCO AND IISCO) to various allottees *included an element of freight upto destination*, calculated at a flat rate per ton. The difference between this flat rate of freight and the actual freight for each consignment was to be recovered from, or paid to, the main producers, as the case may be, by corresponding credits or debits to the Steel Equalisation Fund.

The orders of Govt. regarding this adjustment were conveyed to the two main producers in the then Ministry of Industry and Supply letter dated 25th May, 1949 and a copy thereof was endorsed to the Iron and Steel Controller. No adjustment on the above account was, however, made by the Office of the Iron and Steel Controller (Price and Accounts Division).

The net amount due to the Fund on this account from the two main producers is estimated by the Ministry to be about Rs. 1.5 crores and the matter is still awaiting settlement.

7. During the course of their on-the-spot study in December last, the sub-Committee inquired what action was taken by the Iron & Steel Controller on the orders of the Ministry of Industry and Supply dated 25th May, 1949. As the original file relating to 1949 was not forthcoming, no direct reply could be given to the sub-Committee. It was, however, added that in November 1951 Audit pointed out to the Iron and Steel Controller that no recovery of difference in freight charges was being made since 1st May, 1949 as per Government's orders referred to above. Thereupon the Iron and Steel Controller made a reference to Government in December 1952 for clarifying the date from which adjustment was to be made (i.e. whether it should be made from 1st January, 1948—the date from which an increase in the retention price of steel was allowed—or from 1st May, 1949) as there was difference of opinion in this regard between the Price and Accounts Officers and the Financial Adviser to the Controller in Calcutta. The Ministry clarified in January 1953 that the adjustment should be made from 1st May, 1949. On receipt of this clarification, TISCO and IISCO were asked by the Iron and Steel Controller to

*The procedure was revised for all despatches from 11-6-56.

furnish statements showing quantities of steel despatched to various destinations, the freight paid to the Railways and the place extra collected, in order to enable him to carry out the adjustments. TISCO intimated that the relevant old records were not available, while IISCO expressed its inability to furnish the required statements as it would entail tremendous clerical labour. It was, therefore, decided that bills be issued to the two companies on the basis of the statements prepared from the records available in the Office of the Iron and Steel Controller. The records were reported to be in the possession of the Office except for the following periods:

TISCO—April and May, 1951.

IISCO—January to June, 1951 and August to December, 1951.

As for the period from November 1955 onwards, the accounts relating to freight adjustments were being maintained regularly and bills and credit notes were being issued for adjustment.

8. *The sub-Committee are concerned to learn that such a large amount (Rs. 1.5 crores according to the Ministry) relating to a period covering over six years remains unadjusted for such a long time. According to the procedure prescribed for making these adjustments, the main producers are to send to the Iron and Steel Controller copies of Despatch Advices or Invoices issued by them, which will be coded in a Price Card Book. The Price Card Book with every Invoice coded separately will then be sent to the Hollerith Section for the preparation of a monthly statement showing separately for each class the total tonnage. The main producers will also prepare similar monthly statements and send them to the Iron and Steel Controller. The latter will check them with his statement and effect the necessary adjustments. In actual practice, however, the invoices received from the main producers were not coded in the Price Card Book. Nor did the Iron and Steel Controller watch the receipt of the monthly consolidated statements from the main producers. In short, his Organisation did not seem to bother about the adjustments for more than two years (from 1949 to 1951) till Audit pointed out the omission. Thereafter a hitch arose about the date from which the adjustments should be made and it took about 14 months (from November, 1951 to January, 1953) to have the matter settled. The sub-Committee were perturbed at the manner in which the then Iron and Steel Controller (who was serving in an honorary capacity) was oblivious of his statutory responsibilities. They felt that the relevant file (1949—51) would throw some light on this, but strangely and unfortunately it was missing. The sub-Committee also consider that period of 14 months taken to settle this point was unjustifiable.*

Even if there were a bona fide doubt about the effective date of the orders of Government, it would have been more prudent to carry out the adjustment from the later date (1-5-49) leaving the question of retrospective application of the orders from the earlier date (1-1-48) open.

9. The sub-Committee inquired why there had been further delay in carrying out the adjustments since 1953. In extenuation it was urged that as the main producers were not able to furnish the consolidated statements and the records for a part of the period were missing, a relaxed procedure was being devised. Accordingly, the figures for a few months selected at random were compiled by the Iron and Steel Controller from his records which were to form the basis of settlement of the sum due for the whole period. As this suggestion, it was added, was not wholly acceptable to the main producers, the matter could not be pursued further.

The sub-Committee are far from happy at the way in which the matter has been dealt with. It has been admitted by the Iron and Steel Controller that all the records except for a few months were available in his Office and the amount due to be adjusted could be compiled. In reply to a specific question, the sub-Committee were informed that this work would require 120 clerks for about five months. The sub-Committee, therefore, consider that it will stand Government in good stead if the statements are compiled from the documents available with the Iron and Steel Controller and the amount to be adjusted computed. As the basic records will be the Invoices|Despatch Advices sent by the main producers, there can be no doubt about their correctness.

10. *The matter has been kept pending for an unduly long period. The sub-Committee consider that the Ministry should adopt the above suggestion in the preceding paragraphs and proceed with the work with utmost expedition. In the opinion of the sub-Committee it should be possible to clear the outstandings from both the main producers by 31st October, 1960. The sub-Committee would like to have a report at the end of this period.*

Non-finalisation of 'advance' and 'on account' payments of subsidy to importers of iron and steel—Para 37 of Audit Report (Civil), 1958.

11. Under the scheme for equalisation of sale prices of steel, whenever the imported price of steel is higher than the controlled price at which the main producers are required to sell it, the difference is paid as a subsidy to the importers from the Steel Equalisation Fund on production of original documents showing the actual

imported prices together with the consignees' receipts for the steel delivered to them by the importers at equated rates.

Discretionary powers were delegated by Government to the Iron and Steel Controller and his Accounts Officers on 28th April, 1954, to allow (with financial concurrence) *ad hoc* (advance) payments of subsidy to the importers after satisfying themselves about the *prima facie* justification therefor without production of complete supporting documents. The percentage of such advance payment of subsidy was fixed at 60% in April, 1954, and raised to 80% in April 1955; again to 90% in May 1956 (subject to the production of proof of despatch) and finally to 95% in December, 1956 where clear Railway Receipts (in the case of despatch by rail) or the consignees' signed challans (in the case of delivery by road) were available.

On 22nd November, 1957, Government further authorised the Department to make 'on account' payments to the extent *prima facie* admissible on the subsidy bills outstanding upto the period 30th September, 1957 after obtaining indemnity bonds from the importers.

During the course of audit of the account of the Equalisation Fund, it was noticed that about 5,000 cases of 'advance' and 'on account' payments involving Rs. 20 crores approximately made from 1955 to April, 1958 were yet to be finally settled. The cases outstanding increased to 6,000 as on 31st March, 1959 involving about Rs. 28 crores. Further, in a large number of cases, advance payments had been made by subordinate officials without the approval of the competent authority.

12. The sub-Committee were informed that there was always a time-lag between the submission of bills by importers for payment of subsidy and their payment. In December, 1953, the Iron and Steel Controller approached Government for issue of an amendment to the accounting procedure of the Iron and Steel Equalisation Fund to enable him to pay from the Fund to Importers, *ad hoc* advance payments not exceeding 60% of their subsidy claims, with the prior approval of the local Finance Officer in cases where claims could not be met in full for want of complete supporting documents. This was agreed to by Government in April, 1954. Due to rise in the prices of steel in the foreign markets, the subsidy payable also increased considerably and it became necessary to authorise 80% instead of 60% advance payment on importers' claims. This was done in April, 1955. In view of the inordinate delay in getting consignees' receipts, and the time taken in processing the claim bills, the Iron and Steel Controller proposed, in April, 1956 that the importers be paid 90% instead of 80% advance payment. This also

was agreed to in May, 1956. With the introduction of uniform prices of steel with effect from 11th June, 1956 importers had to bear, in the first instance, the inland freight in respect of despatches to consignees in the interior. Importers represented that initial payment of this freight almost nullified the advantage they were getting by 90% advance payment. It was, therefore, decided that where 'clear' Railway Receipts were produced, importers be paid 95% instead of 90%.

13. With regard to the circumstances leading to advance payments made by subordinate officials without the approval of the competent authority, the sub-Committee were informed that in the early stages as it was not possible for the Iron and Steel Controller himself to sign all the memoranda to the local Finance Officer sanctioning the advance payments, the memoranda were being signed by the Deputy Assistant Controller in charge of the Import Subsidy Section or Deputy Price and Accounts Officer under the verbal orders of the Controller. Afterwards, the Price and Accounts Officer was also authorised by the Ministry from 28th May, 1956, to sanction these advance payments but whenever Iron and Steel Controller|Price and Accounts Officer were away from office on tour or on leave, these memoranda were being signed by the Deputy Price and Accounts Officer to avoid hardship to the importers. It was considered that when the bill was passed finally by the Price and Accounts Officer before submission for pre-audit, it would automatically be regularised. As, however, Audit did not accept this, there had been no such case for the last two years.

14. *While the sub-Committee appreciate the reasons that led to the ad hoc payment of the major portion of the subsidy prima facie admissible, they regret to observe that due attention was not paid to the important question of finally settling the ad hoc payments of subsidy so as to ensure that subsidy was paid only where it was actually admissible and to the extent due.* To ensure this, the consignees' receipts were the most important documents. But in a majority of cases, the receipts were not forthcoming. The sub-Committee inquired why the consignees (who in a large number of cases were the Government Departments and the contractors sponsored by those Departments) did not furnish the receipts to the importers. It was explained to the sub-Committee that one of the reasons was the discrepancy between the quantity of steel actually received by the consignee and that shown in the Railway Receipt as actually despatched. In such a case the consignee gave a receipt only for the quantity actually received at his end. On the other hand the importer had been paid by the Iron and Steel Controller the subsidy admissible on the quantity shown in the Railway Receipt as having

been despatched. In reply to a question whether in such cases the importer got payment (at the controlled rates) from the consignee on the full quantity stated to have been despatched, the sub-Committee were informed that so far as Government Departments and those sponsored by them were concerned, payments were made by the consignees only on the quantity actually received at their end; others had to pay on the full quantity before clearing the Railway Receipt.

15. In reply to another question the sub-Committee were informed that no claim appeared to have been lodged against the Railways either by the consignee or the importer for the shortage in transit. Obviously the Government Departments and the consignees sponsored by them did not care to lodge any claim as they had paid to the importer only for the quantity actually received by them. But it was not clear to the sub-Committee why the importer did not take any initiative in spite of the fact that he was paid only on the actual quantity received. It was not clear to them why the other consignees, who had paid for the entire quantity stated to have been despatched, did not claim compensation from the Railways. As the sub-Committee could not get any convincing explanation, they enquired whether the missing quantity might have gone into the blackmarket. *It was admitted that there was such a possibility, in cases when the consignments were despatched to self, as was usual in commercial practice. Further, there was no check on the quota holders to whom steel was supplied as to whether the steel was used fully for the purposes meant. As allotments were made by the Iron and Steel Controller on the recommendations of the sponsoring authorities it was the responsibility of the latter to ensure that the quantity asked for was reasonable and that it was utilised for the stated purpose. There was also a possibility of some quantity of steel finding its way into the blackmarket in this manner.*

16. *The sub-Committee regret to observe that when the question of relaxation of the procedure for enabling payment of advance subsidy to importers was decided, it was unfortunate that a time limit was not fixed for the submission of consignees' receipts—a necessary concomitant of the decision. According to the terms of the contract, the importers were responsible to produce the consignees' receipt and settle the subsidy payments to them. The sub-Committee, therefore, thought that notices might be served on the importers requesting them to furnish the consignees' receipts within a stipulated time, failing which action would be taken to recover the unadjusted portion of the subsidy.*

The Comptroller and Auditor General nowever felt that a solution on the following lines may be feasible in respect of outstanding cases:—

“As the procurement of the consignees’ receipts for the old bills at this distance of time would be a difficult and time-consuming process, about 15% to 20% cases should be selected at random, in consultation with Audit, for which the consignees’ receipts should be obtained if necessary by sending down an officer. On the basis of this test check, the genuineness of the transactions could be assessed. If there was no evidence of serious irregularities it should be assumed that the other transactions are also genuine and the Iron and Steel Controller could so certify. On the basis of this certificate, Audit would clear all the bills outstanding on this account. If however there was no satisfactory evidence of receipt in some of the cases covered by the test check, the percentage will have to be increased and all such cases would have to be further investigated”.

According to the statements furnished to them, the sub-Committee find that heavy amounts of the subsidy actually paid were awaiting final adjustment. The sub-Committee would like the investigations to be carried out as suggested above and a report submitted by 31st October, 1960.

17. *The sub-Committee trust that Government will benefit by this experience and devise appropriate and timely checks to ensure that such a situation does not recur in future.*

*Amounts due from Sundry debtors of Steel Equalisation Fund—
Para 38 of Audit Report (Civil), 1958.*

18. In para 5 of the Audit Report (Civil), 1955, it was mentioned that the transactions of the Steel Equalisation Fund were being kept out of the Consolidated Fund of India. On 19th November, 1957, Government decided, in consultation with Audit, that with effect from 1st April, 1957, the corpus of the Fund should be transferred to the Public Account of India and that the receipts and payments connected with the Fund should be passed through the Consolidated Fund.

The ‘balance’ at the credit of the Fund, which stood at about Rs. 17 crores on 1st April, 1957, had gone down to Rs. 3.78 crores on 31st March, 1958. The steep fall in the balance is attributable mainly to the delay in effecting recoveries from the main producers

(TISCO & IISCO) the difference between the selling price and retention price of steel. The estimated amount thus recoverable from the two main producers as on 31st July, 1958, was Rs. 15.09 crores. No formal agreements existed with the main producers for depositing the amounts due to Government within a definite time limit. The delay in recovery gave the steel producers a financial benefit in the use of funds without incurring interest liability.

19. The sub-Committee were informed in evidence that the amount due from TISCO and IISCO at the end of January, 1960 had come down to Rs. 6.51 crores as a result of certain adjustments necessitated by the increase in retention price of steel with retrospective effect. In reply to a question whether the main producers were making payments regularly of the amounts due to the Fund, the sub-Committee were informed that the producers were making 'on account' payments every month.

20. The sub-Committee, however, understand that there is a time-lag of about 6-8 months in payment of the dues worked out on the basis of monthly statement of sales received from the main producers and therefore the "on account" payments, though made monthly, represented mostly the over-due amounts. *The sub-Committee consider that the time-lag should be reduced to the extent absolutely necessary and the "on account" payments made every month should represent the approximate amounts due in respect of the sales of the previous month. The Secretary agreed to examine this matter. The sub-Committee would like to know the decision in the matter.*

*Irregularities connected with import of steel on subsidy basis—
Para 39 of Audit Report (Civil), 1958.*

21. In order to make available sufficient quantity of iron and steel to essential consumers in the country at controlled price Government authorised the Iron and Steel Controller in December, 1954 to arrange for import of iron and steel on subsidy basis, the subsidy to be paid from the Iron and Steel Equalisation Fund. Although the powers of purchase delegated to the Iron and Steel Controller were subject to several limitations, principally, the total value of each purchase, individual limit of subsidy, rate of subsidy per ton on certain individual categories of sales, passing over of the lowest tender, purchase by negotiation etc. the Organisation disregarded most of these limitations and purchased largely in excess of its powers. When at a later stage payments of subsidy on bills were objected to by Audit on the score of purchases being beyond the powers of the Iron and

Steel Controller, the Iron and Steel Controller approached Government for regularisation by submitting to Government lists of all such purchases. Government issued omnibus sanctions regularising purchases made in about 200 contracts relating to the period November, 1954 to September, 1956 with total value of about Rs. 77 crores involving subsidy payment of about Rs. 14 crores.

22. It was explained by the Iron and Steel Controller that the Organisation could not seek the necessary prior approval of Government in time because of a number of reasons, e.g., the quick tempo of purchases, lack of adequate data to calculate the exact subsidy involved, difficulties in correlating the purchases made against the different sanctions issued. The local Finance had, however, been consulted by the Iron and Steel Controller in each case. In extenuation, it was urged that the purchases had to be made in a hurry because a number of projects came up rapidly. In reply to a question whether the Iron and Steel Controller apprised the Secretary of the Ministry over the phone and asked for a formal sanction approving his action, the sub-Committee were informed that it was not done. The explanations of the Officers had been obtained and Government's displeasure had been communicated to the officers concerned.

23. It was claimed by the I. & S. Controller that no *ex-post facto* sanction would be necessary in respect of Accepted Tenders issued in 1958 and 1959 although in respect of certain purchases made in 1957 regularisation by Government would be necessary.

At present payments of subsidy on imported steel for which orders were placed by the Iron and Steel Controller are made by the Price and Accounts Officer with the approval of the local Finance. They are scrutinised by Audit. In cases where it is found that the amount admissible on the basis of claims submitted was less than the advance already made, necessary adjustments are carried out immediately. To ensure that the Iron and Steel Controller does not disregard the limitations on his power of purchase, it has been enjoined that the Controller should exercise those powers in consultation with the local Finance in Calcutta.

24. *The sub-Committee trust that Government will ensure that the Iron and Steel Controller strictly observes in future the restrictions imposed on his powers of purchase.*

Delay in effecting recoveries—Para 35 of Audit Report (Civil), 1959

25. In accordance with the procedure laid down in 1953 by the Steel Control Organisation for the recovery of cost of imported steel

(initially paid for by the Organisation on arrival) the controlled stockists were required to make payment within 7 days of presentation of claims, of the value of imported steel allotted to them. In May, 1954 the controlled stockists were, however, informed that in respect of future allotments of imported quota under T.C.M. Scheme they should pay 90 per cent of the value of the steel before taking delivery of the material and 10% within 7 days of presentation of claim after delivery. The stockists represented to the Organisation that it would be difficult for them to pay 90% of the value before taking delivery because of the slow offtake of the steel by the consumers. The Organisation thereupon revised the procedure and authorised the stockists in August, 1954 to make payment after the actual delivery of the material to them but subject to a reduction of their remuneration by Rs. 2|8|- per ton as a *quid pro quo* for the credit facilities involved in the revised procedure.

As the revised procedure provided credit to the stockists without indemnity bonds, the matter was brought to the notice of Government by Audit in March, 1955. In September, 1957 Government introduced a changed procedure under which the stockists were allowed to take delivery of the steel subject to a bank guarantee covering the value, payments being made in four monthly instalments beginning from the date of presentation of the bill. It was also provided therein that in the case of "slow-moving" categories of steel the stockists could be allowed to store the steel in their custody, without either pre-payment of full value or furnishing any bank guarantee, subject to their furnishing a security deposit of 10% of the value of the steel delivered to them on credit. This latter condition was also to apply to stocks lying with the stockists (on credit) prior to the introduction of the revised procedure with effect from the 17th September, 1957.

It was noticed in audit that the revised procedure was not rigidly enforced with the result that a sum of Rs. 29.29 lakhs was due from various controlled stockists upto November, 1958, out of the materials allotted to them prior to 17th September, 1957 and completely sold by them subsequently. According to the Organisation, the provisions of the revised procedure for recovery of cost of the imported steel could not be enforced as, in respect of some consignments, the steel had to be delivered without payment to avoid payment of demurrage charges to the Port authorities. It was also urged that recoveries were not strictly enforced because of certain counter claims by the stockists to the extent of Rs. 6.8 lakhs in the shape of transport charges for the period 1953—55 which was sanctioned for re-imbursement by Government in March, 1958.

26. As for the non-recovery of Government dues from the controlled stockists who had already realised the money from the consumers, the sub-Committee were informed that initially factual data had to be collected from the Controlled Stockholders regarding build up of the rate claimed by them for determining the amounts admissible. Correspondence had also to be made with some State Governments and the Shipping Officers at different ports to ascertain the transport charges allowed to Government contractors, for fixing suitable rate. The stockists were persuaded to accept the rates lower than those originally claimed by them. A draft sanction for approval of the rates was forwarded to the Ministry in August, 1957 with the concurrence of the local Finance. But the sanction issued in March, 1958 had to be amended because of certain observations made by Audit. A revised sanction was then issued in April, 1959. When the stockists were pressed to pay the outstanding dues to Government, they did not pay on the plea that they had counter-claims on account of re-imbursement of road transport charges and shortages.

27. According to the revised procedure no bank guarantee covering the value was considered necessary in respect of 'slow moving' category of steel made over to the stockists except a security deposit of 10% of the value. The sub-Committee wanted to know how Government's interests were safeguarded against possible losses of this kind of steel. They were given to understand that when the revised procedure for the recovery of the cost of imported steel was under consideration, the Iron and Steel Controller pointed out that certain categories of TCA steel were "slow moving" and as there was no transit depot under his control, he found it extremely difficult to make arrangements for their storage. As controlled stockists were not willing to make advance payments or furnish bank guarantees for the full value (as it meant locking up of their capital) in respect of these slow moving stocks, there was no alternative but to take 10% security deposit and recover the balance of 90% on the basis of sales of these stocks every month.

28. *The sub-Committee consider it their duty to point out that while all the possible difficulties facing the importers were provided for in the revised procedure, no serious attention was paid either to cover the risks taken by Government in affording credit facilities or to ensure prompt recovery of the amounts as and when they fell due. Had a clause been inserted in the agreement for the levy of penal rate of interest for delay in payment by the stockists, the dues would not have accumulated to such proportions.*

29. In reply to a question the sub-Committee were informed that some stockists were also importers. Such firms had thus in their stocks the imported steel eligible for subsidy and the steel imported under T.C.A. on credit. Although the sub-Committee did not have the material to examine how far the confusion and delay in the final settlement of subsidy claims on imported steel (para 11 above) can be attributed to this dichotomy, *the sub-Committee are of opinion that Government should do well to look into this aspect while conducting the scrutiny contemplated in paragraph 16.*

Undue financial concession to a Steel Company—Para 37 of Audit Report, 1959.

30. In March, 1950, a steel company claimed an increase of Rs. 23½ per ton in the retention price of steel produced and sold by them during the year 1949. Government increased the retention price for 1949, but stipulated that, if after further examination the increase was not found to be justified, the Company should adjust the amount by suitable reduction in the price of steel supplied to Government from 1953, so that a sum of not less than Rs. 7 lakhs was adjusted every year and the entire adjustment completed in six years.

On 25th June, 1951, the Company was informed that there was no justification for an increase in the retention prices claimed for the year 1949 and that it should start the adjustment of the amount by suitable reduction in accordance with the agreed terms. The Company, however, did not commence adjustment in time and a revised schedule of refund was drawn up in June, 1956, whereby the Company was to refund Rs. 5 lakhs by rebate on the quantity of steel to be supplied by it to Government during the year 1957-58. The balance was to be adjusted in three instalments during July of each year from 1961-62. The amount of Rs. 5 lakhs due in 1957-58 was adjusted by the Company in August, 1957 and the balance of Rs. 44,40,000 was pending adjustment (till December, 1958).

31. *The sub-Committee understand that the amount outstanding against the Steel Company has not been incorporated in the accounts of the Iron and Steel Equalisation Fund even now and as such the accounts do not represent the correct position. This should be set right early.*

NEW DELHI—1;
The 18th March, 1960.
Phalguna 28, 1881 (Saka).

UPENDRANATH BARMAN,
Chairman,
Sub-Committee of P.A.C.

APPENDICES

APPENDIX A: THEORETICAL FOUNDATIONS OF THE MODEL
APPENDIX B: DATA SOURCES AND COLLECTION METHODS
APPENDIX C: ESTIMATION TECHNIQUES AND RESULTS
APPENDIX D: SENSITIVITY ANALYSIS AND ROBUSTNESS CHECKS
APPENDIX E: POLICY IMPLICATIONS AND CONCLUSIONS

APPENDIX I

Proceedings of the Fifty-sixth sitting of the Public Accounts Committee held on Thursday, the 24th March, 1960.

The Committee sat from 14.30 to 15.30 hours.

PRESENT

Shri Upendranath Barban—*Chairman*

MEMBERS

2. Shri T. Manaen
3. Shri Radha Raman
4. Shri Rameshwar Sahu.
5. Shri Aurobindo Ghosal.
6. Shri Yadav Narayan Jadhav.
7. Shri Shraddhakar Supakar.

Shri G. S. Rau, *Additional Deputy Comptroller and Auditor General.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation, Steel, Commerce, Supply and Mines.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

2. The Committee considered and approved the Report of the sub-Committee on the working of the Iron and Steel Controller's Organisation.

3. The Committee then adjourned till 15.00 hours on Monday, the 28th March, 1960.

APPENDIX II

Summary of the conclusions/recommendations of the Twenty-sixth Report of the Public Accounts Committee (Second Lok Sabha) on the working of the Iron and Steel Controller's Organisation.

S. No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
1	2	3	4

1	8	Steel, Mines & Fuel (Deptt. of Iron & Steel)
		<u>Iron & Steel Controller</u>

The Committee are concerned to learn that such a large amount (Rs. 1.5 crores according to the Ministry) relating to a period covering over six years remains unadjusted for such a long time. The invoices received from the main producers were not coded in the Price Card Book as required under the procedure prescribed. Nor did the Iron & Steel Controller watch the receipt of the monthly consolidated statements from the main producers. Iron & Steel Controller's Organisation did not seem to bother about the adjustments for more than two years (from 1949 to 1951) till Audit pointed out the omission. Thereafter a hitch arose about the date from which the adjustments should be made and it took about 14 months (from November, 1951 to January, 1953) to have the matter settled. The Committee were perturbed at the manner in which the Iron and Steel

Controller (who was serving in an honorary capacity) was oblivious of his statutory responsibilities. They felt that the relevant file (1949-51) would throw some light on this, but strangely and unfortunately it was missing. The Committee also consider that period of 14 months taken to settle this point was unjustifiable. Even if there were a *bona fide* doubt about the effective date of the orders of Government from which adjustments should be made, it would have been more prudent to carry out the adjustment from the later date (1-5-1949) leaving the question of retrospective application of the orders from the earlier date (1-1-48) open.

Do.

(ii) The Committee are far from happy at the way in which the matter has been dealt with. The Committee consider that it will stand Government in good stead if the statements are compiled from the documents available with the Iron and Steel Controller and the amount to be adjusted, computed.

(iii) The matter has been kept pending for an unduly long period. The Committee consider that the Ministry should adopt the suggestion is the preceding paragraph and proceed with the work with utmost expedition. In the opinion of the Committee it should be possible to clear the outstandings from both the main producers by 31st October, 1960. The Committee would like to have a report at the end of this period.

While the Committee appreciate the reasons that led to the *ad hoc* payment of the major portion of the subsidy *prima facie* admissible, they regret to observe that due attention was not paid to the important question of finally settling the *ad hoc* payments of subsidy so as to ensure that subsidy was paid only where it was actually admissible and to the extent due.

2

Steel, Mines & Fuel
(Deptt. of Iron & Steel)
Iron & Steel Controller

15

(ii) It was admitted before the sub-Committee that there was a possibility of blackmarket in cases when the consignments were despatched to "self", as was usual in commercial practice. Further there was no check on the quota holders to whom steel was supplied as to whether the steel was used fully for the purposes meant. As allotments were made by the Iron & Steel Controller on the recommendations of the sponsoring authorities it was the responsibility of the latter to ensure that the quantity asked for was reasonable and that it was utilised for the stated purpose. There was also a possibility of steel finding its way into the blackmarket in this manner.

16

Steel, Mines & Fuel
Dept. of Iron & Steel

C. & A. G.

(iii) The Committee regret to observe that when the question of relaxation of the procedure for enabling payment of advance subsidy to importers was decided, it was unfortunate that a time-limit was not fixed for the submission of consignees' receipts—a necessary concomitant of the decision. The Committee thought that notices might be served on the importers requesting them to furnish the consignees' receipts within a stipulated time, failing which action would be taken to recover the unadjusted portion of the subsidy. The Comptroller and Auditor-General, however, felt that a solution on the following lines may be feasible in respect of outstanding cases:—

"As the procurement of the consignees' receipts for the old bills at this distance of time would be a difficult and time-consuming process, about 15% to 20% cases should be selected at random,

in consultation with Audit, for which the consignees' receipts should be obtained if necessary by sending down an officer. On the basis of this test check, the genuineness of the transactions could be assessed. If there was no evidence of serious irregularities it should be assumed that the other transactions are also genuine and the Iron and Steel Controller could so certify. On the basis of this certificate, Audit would clear all the bills outstanding on this account. If, however, there was no satisfactory evidence of receipt in some of the cases covered by the test check, the percentage will have to be increased and all such cases would have to be further investigated".

According to the statements furnished to them the Committee find that heavy amounts of subsidy actually paid were awaiting final adjustment. The Committee would like the investigations to be carried out as suggested above and a report submitted by 31st October, 1960.

17

(iv) The Committee trust that Government will benefit by this experience and devise appropriate and timely checks to ensure that such situation does not recur in future.

3

Steel, Mines & Fuel
(Deptt. of Iron & Steel)

20

The Committee understand that there is a time-lag of about 6—8 months in payment of the dues worked out on the basis of monthly statement of sales received from the main producers and therefore the "on account" payments, though made monthly, represented mostly the over-due amounts. The Committee consider that the time-lag should be reduced to the extent absolutely necessary and the "on account" payments made every month should represent the approximate amounts due in respect of the sales of the previous month. The Secretary agreed to examine this matter. The Committee would like to know the decision in the matter.

The Committee trust that Government will ensure that the Iron and Steel Controller strictly observes in future the restrictions imposed on his powers of purchase.

Steel, Mines & Fuel
(Deptt. of Iron & Steel)

24

4

Iron & Steel Controller

Do.

28

5

The Committee consider it their duty to point out that while all the possible difficulties facing the importers were provided for in the revised procedure, no serious attention was paid either to cover the risks taken by Government in affording credit facilities or to ensure prompt recovery of the amounts as and when they fell due. Had a clause been inserted in the agreement for the levy of penal rate of interest for delay in payment by the stockists, the dues would not have accumulated to such proportions.

The Committee are of opinion that Government should do well to look into the question as to how far the confusion and delay in the final settlement of subsidy claims (to importers) on imported steel (Sr. No. 2 above) were attributable to the fact that some importers were also stockists.

Do.

The Committee understand that the amount outstanding against the Steel Company has not been incorporated in the accounts of the Iron and Steel Equalisation Fund even now and as such the accounts do not represent the correct position. This should be set right early.

Steel, Mines & Fuel
(Deptt. of Iron & Steel)

31

6

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY
PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1**

Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	51.	S. Krishnaswamy & Co., P. O. Teppakulam, Tiruchirappalli-1.
3.	British Book Depot, 84, Hazratganj, Lucknow.	28.	City Booksellers, Sohan-ganj Street, Delhi.	52.	Hyderabad Book Depot, Abid Road (Gun Foundry), Hyderabad.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	(R). M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	54.	(R). C. V. Venkitachala Iyer, Near Railway Station, Chalakudi (S.I.).
6.	H. Venkataramiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	55.	(R). The Chindambaram Provision Stores, Chindambaram.
7.	International Book House, Main Road, Trivandrum.	32.	M. S. R. Murthy & Co., Visakhapatnam.	56.	(R). K. M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	57.	(R). The Swadesamirani Ltd., Mount Road, Madras-2.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	34.	The Goods Compansion, Baroda.	58.	The Imperial Publishing Co., 3, Faiz Bazar, Daryaganj, Delhi-6.
10.	Book Centre, Opp. Patna College, Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	The High Commission of India, Establishment Department, Aldwych, London W. C. 2.
11.	J.M. Jaina & Brothers, Mori Gate, Delhi-6.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	60.	Current Book Stores, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	International Consultants Corporation, 48c, Marredpally (East) Secunderabad - 3 (A.P.)
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. J. Ascervandam & Sons, Cloughpet, P.O. Ongole, Guntur Distt. (Andhra).
14.	The New Book Depot, 79, The Mall, Simla.	39.	E. M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura.	63.	The New Order Book Co., Ellis Bridge, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M.U., Aligarh.	64.	The Triveni Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Fergusson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi-5.
18.	The New Book Depot, Modi No. 3, Nagpur.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.	67.	'Bookland', 663, Madar Gate, Ajmer (Rajasthan).
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.	44.	W. Newman & Co., Ltd., 3, Old Court House Street, Calcutta.	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.	69.	Makkala Pustaka Press, Balamandira, Gandhinagar, Bangalore-9.
21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.	70.	Gandhi Samriti Trust, Bhavnagar.
22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narain Agarwal, Hospital Road, Agra.		
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers, Trichinopoly-3.	49.	D. B. Taraporevala & Sons Co. Private Ltd., 210, Dr. Naoroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W.E.A. Karol Bagh, Delhi-5.				

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PUBLIC ACCOUNTS COMMITTEE 1959-60

TWENTY-SEVENTH REPORT

(SECOND LOK SABHA)

**[EXCESSES OVER CHARGED APPROPRIATIONS DISCLOSED IN THE
APPROPRIATION ACCOUNTS OF THE DEFENCE SERVICES FOR
THE YEAR 1957-58]**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1960
Chaitra, 1882 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE,
1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
12. Shri Jaipal Singh
13. Shri Aurobindo Ghosal
14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand**
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary.*

Shri Y. P. Passi, *Under Secretary.*

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959, (*Vice* Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister) and was appointed as the Chairman of the Committee on the 12th September, 1959.

**Ceased to be a Member of the Committee with effect from the 3rd April, 1960 consequent on retirement from the Rajya Sabha.

I

INTRODUCTION

1, the Chairman of the Public Accounts Committee, having been authorised to present the Report on their behalf, present this Twenty-Seventh Report on the Excesses over Charged Appropriations disclosed in the Appropriation Accounts of Defence Services for the year 1957-58. The Appropriation Accounts and Audit Report thereon were laid on the Table of the House on the 20th August, 1959. The Committee would present a separate Report on the other cases of irregularities, etc. included in the Appropriation Accounts and Audit Report.

2. The Committee would like to place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor-General in examining the above excesses.

II

APPROPRIATION ACCOUNTS (DEFENCE SERVICES), 1957-58

Excesses over Charged Appropriations—Page 6, Para 8

3. During the year 1957-58, there were three cases of excesses over Charged Appropriations as shown below:—

No. and Name of Appropriation	Sanctioned Appropriation	Actual Expenditure	Excess
	Rs.	Rs.	Rs.
9—Army	43,000	1,02,147	59,147
11—Air Force	—	7	7
106—Defence Capital Outlay	3,58,000	6,09,100	2,51,100

4. The above excesses were the result of payments made in certain cases in satisfaction of court decrees/arbitration awards which were initially booked erroneously as 'Voted' expenditure and subsequently classified as 'Charged' expenditure. The Committee understand (Appendix) that prior to the year 1956-57, through an over-

sight, payments in satisfaction of court decrees/arbitration awards, which should be correctly accounted for as 'Charged' expenditure were actually accounted for under the Voted portion of the Grants by the Defence Accounts Department. The decision to follow the correct classification was taken in October, 1956 but full implication of the change in classification of expenditure which for many years had been treated as voted was not clear to the various authorities, with the result that at the time supplementary grants were obtained from Parliament, all items of charged expenditure were not taken into account. Provision for these items of expenditure had, however, been made in the 'Voted' portion of the Grants. The Committee would like to draw attention in this connection to para 7 of their 16th Report (Second Lok Sabha) wherein excesses over Charged Appropriations in respect of the Defence Services Accounts for the year 1956-57 which occurred due to the same reasons, were reported. *They trust that the Administration will be more vigilant in future so that such misclassification of expenditure is avoided. Subject to these observations the Committee recommend that the excesses might be regularised by Parliament in the manner prescribed in Article 115 of the Constitution.*

NEW DELHI;

Dated 18th April, 1960.

Chaitra 29, 1882 (Saka).

UPENDRANATH BARMAN,

Chairman,

Public Accounts Committee.

APPENDIX

APPENDIX

Explanatory Note on Para 7 (iii) of the Audit Report, Defence Services, 1959, regarding Excesses over Charged Appropriations

In para 7(iii) of the Audit Report, Defence Services, 1959, the Comptroller and Auditor-General has pointed out the excesses over Charged Appropriations during the year 1957-58 which would require to be regularised by the Parliament under Article 115 of the Constitution.

2. The following table shows the Sanctioned Appropriation, Actual Expenditure and the excess over the Sanctioned Appropriation during the year 1957-58:—

No. and Name of the Approp- riation	Sanctioned Appropriation	Actual Ex- penditure	Excess
	Rs.	Rs.	Rs.
9—Army	43,000	1,02,147	59,147
11—Air Force	..	7	7
106—Defence Capital Outlay.	3,58,000	6,09,100	2,51,100

3. The above excesses are in respect of payments made in satisfaction of court decrees/arbitration awards.

4. As a result of the Constitutional changes, the Defence Services Budget which, prior to 15th August, 1947, was non-Voted came into the category of Voted expenditure with the exception of certain categories of expenditure such as debt charges, payments relating to court decrees, arbitration awards, etc. which were charged on the Consolidated Fund of India in accordance with Article 112(3) of the Constitution. Through an oversight, the payments in satisfaction of court decrees/arbitration awards, falling under 'Charged' expenditure continued to be accounted for under the Voted portion of the Grants of the Defence Services even after the 15th August, 1947. The correct classification has been followed from the year 1956-57.

5. The decision to follow the correct classification of expenditure as 'Voted' and 'Charged' from the accounts of the year 1956-57

was taken in October 1956. According to the practice then in vogue, no anticipatory provision for making payments relating to court decrees/arbitration awards etc. could be made in the Estimates and the payments were to be made initially by drawing advances from the Contingency Fund of India, which would be recouped by obtaining Supplementary Appropriations from the Parliament. Necessary instructions were issued prescribing that with effect from 1st April 1957, payments in respect of such transactions should be made only after sanction for drawing an advance from the Contingency Fund of India had been obtained. It was also laid down that details of such cases should be forwarded to Service Headquarters as and when they occurred. The Service Headquarters were, in turn required to initiate an application for an advance from the Contingency Fund of India in each case. Parallel instructions were also issued to the Controllers of Defence Accounts to ensure that payments were made only after sanction for drawing an advance from the Contingency Fund of India had been accorded.

6. As no anticipatory provisions for such expenditure could be made under the Defence Services Estimates for the year 1957-58, the procedure indicated above was followed in most of the cases and Supplementary Appropriations of Rs. 43 thousands and Rs. 358 thousands were obtained under Grant Nos. 9—Army and 106—Defence Capital Outlay, respectively during the year 1957-58, to cover such payments relating to court decrees and arbitration awards. However, apart from the cases for which Supplementary Appropriations were obtained from the Parliament, there were some other cases in which payments had been initially made out of the Voted portion of Grants, but were subsequently classified as 'Charged' expenditure.

7. The excesses over the Charged Appropriations during the year 1957-58 arose mainly due to the fact that the full implications of the change in the classification of expenditure which for many years had been treated as 'Voted' was not clear to the various authorities, with the result that at the time Supplementary Appropriations were obtained from the Parliament, all cases involving Charged expenditure were not taken into account.

8. Under Article 113 of the Constitution of India, the expenditure charged upon the Consolidated Fund of India is not to be submitted to the Vote of the Parliament, but this shall not be construed as preventing the discussion in either House of the Parliament of such estimates. The right of Parliament in regard to such appropriations is, therefore, limited to their discussion—a right which has, of course, also been secured by the inclusion of this provision for such excess

expenditure in the 'Voted' portion of the Grants and what is more, the expenditure was incurred under the authority of the Parliament when such authority was not needed. Viewed from this angle, the above excesses over the Charged Appropriations, can at the most be viewed as a technical irregularity. In this connection, extracts from para 7 of the Sixteenth Report of the Public Accounts Committee are reproduced below:—

“The Committee are aware that errors cannot always be ruled out in such a complicated system of accounts as Government accounts. The omission in the present case to make provision under 'Charged' head was *bona fide* error which by itself will be valid reason for recommending the regularisation of the excesses”.

The Director of Audit, Defence Services, has seen.

Sd./- R. P. SARATHY,
Additional Secretary.
16th October, 1959.

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PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1**

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4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	54.	C. V. Venkatachala Iyer, Near Railway Station, Chalakudi. (S.I.)
6.	H. Venkataramiah & Sons, Vidyaniidhi Book Depot, New Statue Circle, Mysore	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	55.	The Chindambaram Provision Stores, Chidambaram.
7.	International Book House, Main Road, Trivandrum.	32.	M. S. R. Murthy & Co., Visakhapatnam.	56.	K.M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	57.	The Swadesamitran Ltd., Mount Road, Madras-2.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	34.	The Goods Companison, Baroda.	58.	The Imperial Publishing Co., 3, Faiz Bazar, Darya ganj, Delhi-6.
10.	Book Centre, Opp. Patna College, Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	The High Commission of India Establishment Deptt. Aldych, London, W.C.-2.
11.	J. M. Jaina & Brothers, Mori Gate, Delhi-6.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	60.	Current Book Stores, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	International Consultant Corporation, 48C, Mareddypally (East), Secunderabad,—3 (A.P.)
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. G. Aseervandam & Sons, Cloughpet, P. O. Ongoli, Guntur Distt. (Andhra).
14.	The New Book Depot, 79, The Mall, Simla.	39.	E.M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura.	63.	The New Order Book Co. Ellis Bridge, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M. U., Aligarh.	64.	The Triveni Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayna Book Depot, Chap-parwala Kuan, Karol Bagh, New Delhi-5.
18.	The New Book Depot, Modi No. 3, Nagpur.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.	67.	Bookland 663, Madar Gate, Ajmer (Rajasthan).
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.	44.	W. Newman & Co. Ltd., 3, Old Court House Street, Calcutta.	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.	69.	Makkala Pustaka Press, Belamandira, Gandhinagar, Bangalore-9.
21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.	70.	Gandhi Samriti Trust, Bhavnagar.
22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narain Aggarwal, Hospital Road, Agra.	71.	People's Book House, Opposite Jagannmohan Palace Mysore-1.
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers' Trichinopoly-3.	49.	D. B. Taraporevala & Sons, Co. Private Ltd., 210, Dr. Naoroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W. E.A., Karol Bagh, New Delhi-5.				

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY
PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1—Contd.**

Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.
72.	'JAGRITI' Bhagalpur-2. BIHAR.	79.	Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.	87.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
73.	The New Book Company (P) Ltd., Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay.	80.	Madhya Pradesh Book Centre, 41, Ahilya Pura, Indore City (M.P.)	88.	The United Book Agency, 48, Amritkaur Market, Paharganj, New Delhi.
74.	The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.	81.	Mittal & Co., 85-C., New Mandi, Muzaffar Nagar (U.P.).	89.	Pervaje's Book House, Book Sellers & News Agents, Koppikar Road, Hubli.
75.	Minerva Book Shop, 9, Jor Bagh Market, New Delhi-3.	82.	Firma K. L. Mukhopad- yay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	90.	B. S. Jain & Co., 71, Abupura, Muzaffarnagar (M.P.).
76.	People's Publishing House, Rani Jhansi Road, New Delhi-1.	83.	Freeland Publications (P) Lt., 11-A/16, Lajpat Nagar, New Delhi.	91.	Swadeshi Vastu Bhandar, Booksellers, Jamnagar.
77.	Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School Annexe, Imphal, Manipur.	84.	Goel Traders, 100-C, New Mandi, Muzaffar Nagar (U.P.).	92.	Bhogilal L. Fanna, Book- stall Contractor, Railway junction, Rajkot.
78.	Minerva Book Shop, The Mall, Simla-1.	85.	Mehra Brothers, 50-G, Kalkaji, New Delhi. 19.	93.	Sikh Publishing House (P), Ltd., 7-C, Connaught Place, New Delhi.
		86.	The Krishna Book Depot, Publishers, Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.)		

1960 BY LOK SABHA SECRETARIAT

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PUBLIC ACCOUNTS COMMITTEE 1959-60

TWENTY-EIGHTH REPORT (SECOND LOK SABHA)

[Contract for Supply of Mechanical Transport Spares]



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1960
Chaitra, 1882 (Saka)
Price : Rs. 0.50 nP.

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE 1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prashad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
12. Shri Jaipal Singh
13. Shri Aurobindo Ghosal
14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand**
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

* Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959, (vice Dr. P. Subbarayan, who ceased to be a member of the Committee on his appointment as a Minister) and was appointed as the Chairman of the Committee on the 12th September, 1959.

**Ceased to be a Member of the Committee with effect from the 3rd April, 1960 consequent on retirement from the Rajya Sabha.

I

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-eighth Report on the case referred to in para 13 of the Audit Report (Defence Services), 1959 *re*: Contract for supply of Mechanical Transport spares.

2. The Public Accounts Committee at their sitting held on the 3rd February, 1960 appointed a sub-Committee to examine this case more fully in view of its importance and issues it involved and also certain additional material which was placed before them. The Report of the sub-Committee which is appended hereto was considered and approved by the Public Accounts Committee at their sitting held on the 18th April, 1960 and should be treated as the Report of the Public Accounts Committee.

3. A statement showing the summary of the conclusions/recommendations of the Committee is appended to the Report (Appendix II).

UPENDRANATH BARMAN,

Chairman,

Public Accounts Committee.

NEW DELHI;

The 19th April, 1960.

Chaitra 30, 1882 (Saka).

II

REPORT OF THE SUB-COMMITTEE

INTRODUCTION

I, the Chairman of the sub-Committee of the Public Accounts Committee, having been authorised by the sub-Committee, present this Report on their behalf on the case referred to in para 13 of the Audit Report (Defence Services), 1959—Contract for Supply of Mechanical Transport Spares (Annexure).

2. In view of the importance of the case and the issues it involved and also certain additional material which was placed before them, the Committee felt it necessary to appoint a sub-Committee to investigate the matter more fully, examine such witnesses and obtain such other evidence as may be necessary. Accordingly, a sub-Committee consisting of:—

- | | |
|---|------------------|
| 1. Shri Upendranath Barman— <i>Chairman</i> | |
| 2. Shri Shamrao Vishnu Parulekar | } <i>Members</i> |
| 3. Shri Jaipal Singh | |
| 4. Shri Shraddhakar Supakar | |
| 5. Shri Amolakh Chand | |
| 6. Rajkumari Amrit Kaur | |

were formed on February 3, 1960. The sub-Committee held 11 sittings on the 12th, 19th and 20th February, 1960 and 8th, 10th, 14th, 15th (two sittings), 16th, 17th and 29th March, 1960 and examined the Secretary, Ministry of Works, Housing and Supply; Financial Adviser (Defence); the Secretary, Ministry of Finance (Expenditure Division) (who was in the earlier stages of this deal Joint Secretary in the Ministry of Defence and the Chairman of the Negotiating Committee); Secretary, Additional Secretary, Ministry of Defence; Master General of Ordnance; Director, Ordnance Services; and Director of Mechanical Engineering. The sub-Committee also took into account two memoranda submitted to them by the Financial Adviser and the Ministry of Defence, respectively.

3. The sub-Committee considered this Report on the 2nd April, 1960 and approved it on the 13th April, 1960.

4. The sub-Committee place on record their appreciation of the assistance rendered to them in the course of their examination of this case by the Comptroller and Auditor-General of India.

NEW DELHI;
The 14th April, 1960.
Chaitra 25, 1882 (Saka).

UPENDRANATH BARMAN,
Chairman,
Sub-Committee of the Public Accounts
Committee.

CONTRACT FOR SUPPLY OF MECHANICAL TRANSPORT SPARES

History of the case

In April, 1956, a representative of a foreign firm came out to India, met the Master General of Ordnance (M.G.O.) and offered him the supply of full range of spares required for the overhaul of war-time army vehicles, both armoured and non-armoured, of North American origin, and also signal equipment in which the Army was deficient, agreeing at the same time to purchase such spares as were surplus to the requirements of the Army. The Master General of Ordnance considered the offer attractive as the non-availability of full range of spares had been impeding the completion of the overhaul programme. He pointed out that the particular foreign firm had been one of the most promising sources of supply and considered that it would expedite supplies if negotiations were conducted with it. He also felt that the sale of spares could be arranged as a "barter" agreement between Government and the firm. M.G.O.'s suggestion was endorsed by the Chief of General Staff who felt that the procedural aspect connected with the procurement of spares had till then seriously affected supplies. The Joint Secretary, Defence, also supported the proposal because procurement of unbalanced spares had held up overhaul. He foresaw, however, the danger of higher prices being asked for in a single negotiated contract, but felt that it should be possible to check some of the quotations with reference to past supplies. The Defence Secretary in recommending the proposal for acceptance considered, however, that careful inspection before despatch was essential, as the condition of most of the spares would be suspect. It was, however, felt that it would be enough if an agreement could be reached with the firm to accept the return of unaccepted stores. Inspection prior to shipment could then be dispensed with. The Financial Adviser agreed to negotiations being initiated, but stressed again the point regarding inspection before despatch.

2. In May, 1956, the question of direct negotiations was taken up with the Ministry of Works, Housing and Supply (W.H. & S). The Financial Adviser of Works, Housing and Supply Ministry thought, however, that it would be prudent to make enquiries from the India Supply Mission whether any other dealer would be prepared to make a competitive offer for the full range of needed spares before deciding to negotiate with a single tenderer. Nevertheless, that Ministry, while acquiescing in negotiations, stated that, based on the

report of the India Supply Mission, this firm was a well organized supplier of war surplus stock but that it had the tendency to quote high prices. They warned that steps should be taken to ensure that the firm did not take advantage of the monopoly deal by demanding high prices and suggested the constitution of a Negotiating Committee. They stressed also that prior inspection was absolutely necessary and advised that in a barter deal of this nature, prices of both purchases and disposals should be correlated with the prices previously obtained.

3. Defence Ministry at first considered that the India Supply Mission (I.S.M.) should be made responsible for negotiating the contract and also for the inspection of the spares. In July, 1956, also, the opinion was that the normal procedure of placing demands on the India Supply Mission should be adhered to. But soon thereafter, it was decided that it would be more expeditious if direct negotiations were undertaken in India with the accredited representatives of this firm by a Negotiating Committee.

4. A prelude to the negotiations was the compilation of a list of requirements and surpluses, but the Master General of Ordnance while expressing his inability, in August, 1956, to give accurate details, agreed to compile a list of uncovered demands. This list was prepared and was valued at Rs. 1.83 crores to provide the basis for negotiations. A list of unwanted surplus spares available for disposal was also drawn up and valued at Rs. 9 crores. These lists were made available to the firm by the M.G.O. between September and November, 1956.

5. In December, 1956, the Financial Adviser suggested that the credentials and the financial standing of this firm should be verified and that enquiry should be made whether there were any other surplus stores dealers in America who would be in a position to handle a deal of this nature. He also protested that the lists should have been sent to the firm without the required check in Finance of the items and quantities with reference to holdings, "dues in" and consumption.

6. This matter was discussed between the Financial Adviser and the Joint Secretary, Defence. The Joint Secretary was of the opinion that "as for the most part, the transaction would be one of barter", it was not necessary to worry about the financial status of this firm or to make any further enquiries in the matter. He also felt that as they had sufficient material with them for checking the prices quoted, he would not be justified in loading the India Supply Mission with the work of ascertaining current prices of the spares held as surplus.

A Negotiating committee under the aegis of the Defence Ministry was constituted and negotiations were started in February, 1957.

7. The firm offered fifty per cent of the spares from stock and fifty per cent from fresh manufacture, with the guarantee that all the spares would be unused and inspection could be in India. At a contemporaneous departmental meeting the Controller of Development (Vehicles) expressed his inability to examine the entire list of spares unless he was given time and special officers. He mentioned, however, that a preliminary scrutiny had revealed (1) that certain items were not needed at all; (2) others could be made in Defence Workshops or purchased locally; and (3) certain prices were "ridiculously high and fantastic, in some cases shockingly absurd". He added that it would not be possible to negotiate with the firm on the basis of such fantastic prices. He was also doubtful whether the firm could supply any spares from fresh manufacture.

8. While the negotiations were on, the Negotiating Committee had, on its own, examined the prices quoted on the basis of (a) prices available in the Price Guide Vocabularies; (b) last known price based on purchased prices; and (c) prices as estimated by the Depot authorities for other items not covered by (a) and (b). The price estimated by the Ministry of Defence, the quotations received from the firm and the final prices settled after negotiation are given in the statement below:—

Category of Vehicles	Ministry's Estimates		Quotations from the firm		Prices settled after negotiation
	Preliminary	Revised	Original	Revised	
Figures in Canadian Dollars					
Armoured	3,89,000	4,48,288	10,87,000	5,60,832	5,60,800
Non-armoured	4,93,000	9,15,241	10,85,000	9,49,954	9,01,300

It will be noticed that the firm had brought down its original quotation of \$10,87,000 for armoured vehicles spares to \$5,60,800 but had brought down for non-armoured vehicle spares from \$10,85,000 to \$9,01,300 only. The reduction in the original quotation in regard to the armoured vehicle spares was about 50% while in the case of non-armoured it was of the order of 10%.

9. As regards the sale of spare parts, a weighted average price of \$ 110 per ton for the sale of both types of spares had been worked out on the basis of previous prices obtained by the Director General of Disposals on limited sales of these spares. The Negotiating Committee felt that if this price could be obtained for a bulk sale, "we would have done a good transaction in view of the fact that apart from earning dollar exchange of \$ 5.5 lakhs, we would be able to get rid of the spares at one stroke".

10. As a result of prolonged negotiations, agreement was reached both for the purchase and sale of spares and a letter of intent was issued on May 4, 1957. Before the letter of intent was issued, an offer had been received from a firm in Bombay for the supply of signal spares at a price of Rs. 6,00,000 lower than that quoted by the foreign firm and there were also incidental savings in freight. The position was, therefore, safeguarded by a provision in the letter of intent that the requirements of signal spares might not exist at all and the quantity that would be purchased would be indicated later. It was also stipulated that the Government of India would have the right to delete, reduce, or increase the quantities within three months of the placing of the formal contract provided that a list of items to be so covered was attached to the contract.

11. The letter of intent stipulated that the stores would be new and unused and would conform strictly to specifications. The list of requirements was not however appended to the letter of intent, but sent subsequently after one month.

12. After the letter of intent had been issued, officers in the Ministry began to entertain grave doubts about various aspects of this deal. One was regarding the ability of the firm to supply genuine spare parts; the other was about the utility of such an agreement unless each shipment was of balanced spares. The latter condition was considered so important then that it was decided that unless the firm agreed to this condition, no formal contract should be placed with it.

13. To remove the misgivings on the contractual aspect, a reference was made to the Law Ministry. The legal opinion was that the letter of intent was not a completed contract and that it was possible to sell surplus stores to this firm even if no spares were bought from it. Having obtained this opinion, there was a change in the attitude of the Ministry who then considered withdrawing from the sale of spares. The reason adduced was that several offers had been received for the purchase of unwanted spares at a price higher than that negotiated and it was advisable, therefore, that this part of the deal should be called off. Legal opinion was once again taken on this point. The opinion was that though the letter of intent was not strictly a contract, it was morally binding, and to break it would be unfair.

14. When, in September 1957, it came to the notice of the firm that the Government were considering an offer from some other firm to buy Army surplus spares, it sent "an angry and threatening letter" on September 2. But, two days later, on September 4, the firm withdrew the contents of its earlier letter relating to the purchase of the surplus except in regard to 100 tons or so of one selected item. Ultimately it was decided on 17th September, 1957 not to sell the

surplus stores to the foreign firm except 100 tons at a price of \$230 per ton but to declare them to D.G.S. & D. for disposal after inviting global tenders.

15. On September 26, 1957, I.S.M. was authorized to conclude the deal. But instead of going ahead, I.S.M. reported on October 9, that they had received a more attractive offer from another foreign firm for the full range of spares. On the basis of this report, the matter was reconsidered in the Defence Ministry. The orders of Government were sought for concluding the contract. At this stage, the view held was that the other firm was not only genuine and capable of performance, but appeared to be much the better proposition and that legal opinion should be obtained, whether it was incumbent on Government to proceed with the contract on the basis of the letter of intent. The legal opinion given at this stage was that Government could, if it so chose, not proceed with the contract and a suit for performance and damages could be resisted; further, that this firm could not restrain Government from entering into an agreement with anyone else.

16. On November 25, decision was taken to constitute a second Negotiating Committee for discussion with the representatives of the second firm in order to assess after negotiations the relative advantages of the two offers and then make a final choice. About the same time, but after the second offer had been received, the Director, I.S.M. and a Military Officer visited the establishment of the first firm and stated that its stock position and manufacturing facilities were reasonably satisfactory.

17. It was decided on 27th November, 1957 that the contract with the first firm should be signed without further delay. The I.S.M. were instructed to conclude the final agreement on the basis of the letter of intent. The contract was finally signed by I.S.M. on December 18, 1957. It may be mentioned in this connection that in the letter of intent there was a clause reserving the right of Government to reduce, increase or cancel items within 90 days from the date of formal agreement provided the Government furnished alongwith the contract a list of items that might be thus deleted, increased or reduced in quantity. No such list was attached to the formal agreement.

18. On December 31, the I.S.M. was asked to insist on balanced shipments; as regards inspection, the following instructions were given: "No inspection need be carried out before shipment and stores will be accepted for shipment on a certificate rendered by the firm that they are in compliance with the particulars contained in the invoice and packing lists. Discrepancies and shortages or defective stores would be notified within six months from the date of receipt in

consignee's depots in India, and the firm should arrange replacement of stores free of cost as laid down in the letter of intent."

19. On March 4, 1958, as a result of a special review undertaken in February, 1958, the M.G.O. asked the I.S.M. to delete some items valued at \$5,73,000. This cancellation was communicated without consultation with either the Ministry or the financial authority. On March 28, I.S.M. replied that the firm refused to accept the deletions except for supply estimated to cost \$86,000. The Ministry of Law was consulted at this stage and they advised that the cancellation would amount to a breach of contract as it was not covered by any special condition of the contract. Ultimately no cancellation except to the extent accepted by the firm, was pressed. Subject to these variations, the contract was executed and practically all the supplies received by March, 1959.

OBSERVATIONS

20. *Direct Negotiations with the firm:* In reply to a question as to why the suppliers approached the M.G.O. and not the procuring agency, it was explained that it was not unusual for suppliers to approach officers of the Defence Ministry or of the Defence Headquarters with offers for supplies. It was admitted, however, that while such approaches were allowed and might even be necessary in the case of purchases of warlike stores where the agency of the procuring organisation was not used, it was not usual in the case of non-warlike stores. It was further admitted that in regard to the supplies of mechanical transport spares, the practice has always been to place indents on the procurement organisations. It was only in regard to this deal that a deliberate exception was made.

21. *The sub-Committee would like to invite attention to the observations of the Public Accounts Committee in para 34 of their 9th Report (1st Lok Sabha) and para 50 of the 15th Report (1st Lok Sabha), where they have commented adversely on the practice of the indenting Authorities having any direct contact with suppliers, or even of indicating a source of supply. They regret to observe that the above recommendations, which were accepted by Government have not been complied with in this case.*

22. The Secretary, W.H. & S., has stated in evidence that his Ministry agreed to a departure from the normal procurement procedure and to a single negotiated contract only on the consideration that it was to be a barter deal and the intention was not merely to procure spares required but also to dispose of unwanted spares in a single transaction. Otherwise, he added, the advice of his Ministry would have been to go in for open tender. But the barter aspect which was one of the important considerations in this single negotiated deal was ultimately given up. It was also admitted that

in response to the tenders issued on earlier indents by I.S.M., this firm had also quoted and supplied, but had not been able to meet the full range required. Though the largest supplier, it had also defaulted. *In such circumstances the sub-Committee find no justification for entering into single negotiated contract with this firm in contravention of the prescribed procedure of inviting competitive tenders.*

Exorbitant Prices

23. *Although the importance of obtaining prices through I.S.M. had been stressed earlier by both the Financial Advisers. Defence Services and Ministry of W.H. & S., no action was taken in this regard. Nor was the capacity of the firm to supply the full range of spares verified before the negotiations commenced. It was decided by the Ministry of Defence to rely on such material as was available with them for negotiating the prices. In evidence, it was disclosed, however, that the Ministry of Defence had in their possession price indications only in regard to about 25% of the items in the indent and in respect of some of the items, the prices quoted by the firm were higher by 5 to 50 times. As regards the remaining 75% of the items, the Ministry had to rely on old price lists and/or calculations made by Depots or Technical Officers.*

24. The sub-Committee were given to understand that a suggestion was made in October, 1956 by the Ministry of Finance (Defence Division) that the firm be given a list of spares both to be purchased and disposed of so that a price indication could be obtained from it for the purpose of negotiating the sale of surplus stores. *This would have been a valuable yardstick of comparison and would have enabled the Negotiating Committee to determine prices of the surplus stores to be sold to the firm. The sub-Committee regret to learn that this suggestion was not acted upon.*

25. It was brought to the notice of the sub-Committee that the Negotiating Committee had itself recorded as follows regarding the prices quoted by the firm:

"This scrutiny revealed that in regard to over 100 items, while the quotations to I.S.M., Washington, were about 280% of our estimated prices, the rates quoted to us for the same items were 544% of our estimated prices. In regard to other items, quotations tendered to the I.S.M. and to us were uniformly 269% of our estimated prices."

It was also brought to the notice of the sub-Committee that on a subsequent open tender issued by the I.S.M., this firm had quoted

prices much lower than the prices approved by the Negotiating Committee on this occasion.

Thus, although the negotiating committee was aware that the quotations were inflated, it could only effect reduction of the order of 10% in the prices for non-armoured vehicles.

26. In this connection, it will not be out of place to refer to the development in regard to supply of wireless equipment by this firm. As against the price of Rs. 20 lakhs negotiated with this firm for the wireless equipment, an Indian supplier agreed to meet the full requirements at a cost of Rs. 14·7 lakhs. When quotations were invited from U.K. for the supply of these equipments, an offer of Rs. 14·88 lakhs was obtained. Before the deal was finalised, it was reported that by cannibalising some of the sets, the requirements could be largely met and a balancing order for Rs. 62,000 would only be necessary. *But for the offer of the Indian firm and the review in its wake, unwanted stores to the extent of Rs. 19 lakhs would have been ordered from the foreign firm.*

Non-Disposal of Surplus Spares

27. As mentioned earlier in para 13 above at one stage (June, 1957) the sale aspect of the unwanted spares was considered so important, that it was held that it should be proceeded with even if government decided not to purchase spares from this firm. However, steps were afoot in July, 1957 to give up the idea of sale to the firm on the plea that other higher offers had been received. In examination, however, it transpired that there was only a single offer and enquiries from two other firms. The single offer was from a local firm for purchase at Rs. 700 per ton and not in dollars and subject to certain conditions.

28. The sub-Committee enquired whether the financial standing of this firm and its ability to purchase such a large tonnage of automobile spares were investigated. They were informed that during the period 1954—57 this firm had purchased surplus army automobile spares of the value of Rs. 1,15,000 only. The sub-Committee also understand that the Defence Secretary had expressed his misgivings about the genuineness of this offer and wanted to have a report after enquiries. It appears, however, that no such report was submitted to him.

The sub-Committee feel, therefore, that dropping the provisions for the sale of spares on the plea that better offers had been received lacked justification. Even this so-called better offer was neither processed nor accepted. On the other hand, it was decided on

September 17, 1957, that the surplus should be declared to the D.G.S. & D. who should invite global tenders for its disposal. If global tenders could throw up competitive prices for sales, they could equally do so in the case of purchases.

29. It was stated in extenuation before the sub-Committee that, on the advice received from the Chief of the General Staff in November, 1957, it was decided to withhold the disposal of armoured vehicle spares pending review of requirements on the basis of a contemplated second "strip and rebuild" programme for such vehicles. Pending decision on the repair programme of non-armoured vehicles, disposal action on surplus vehicle spares was also suspended. *It is strange that even between September and November, 1957, no action was taken to follow up the decision to dispose of surpluses through the D.G.S. & D. It is also inexplicable that while, on the one hand, disposal action was suspended in November-December, 1957, on the other, in March, 1958, cancellation to the extent of 45 per cent of the order originally placed on the firm in December, 1957 had been communicated. The two decisions are in the sub-Committee's opinion, irreconcilable.*

30. The Additional Secretary informed the sub-Committee that he did not like the sale of surplus vehicle spares at a low price and he had at the back of his mind an idea to get Government out of this part of the deal if he could. When his attention was drawn to a note recorded by himself to the effect that Government should proceed with the sale of surplus vehicle spares according to the letter of intent, even if the purchase of spares by Government did not go through, he observed that the note was written for obtaining legal opinion as to whether the two parts of the contract could be considered as separate. He added that his intention was to 'resile from this deal retaining the other part of the deal'. *If this was the intention, it is not clear why stress has been laid on the sale to the firm in the note seeking legal opinion. The sub-Committee feel, therefore, that what was stated in evidence by the Additional Secretary is in conflict with his recorded views. Again, when the firm wanted more than the stipulated time (three months) for the removal of the material, the Additional Secretary noted on 24th June, 1957 "as the whole object of this deal is to clear our godowns of the surplus stock as quickly as possible to make space available for our essential requirements, we cannot agree to the relaxation asked for". Even this note by the Additional Secretary does not go to support his contention.*

31. The sub-Committee enquired whether the non-execution of the contract for the sale of surplus to the firm was not a material

deviation from the terms of the letter of intent, more particularly, as in all earlier notings the barter aspect had been repeatedly stressed and it had been stated "both the transactions are to be treated as one and if one of them does not come through, the second also automatically falls off". They were informed that the firm itself had agreed on September 4, 1957 not to insist on the sale. Earlier, it had been mentioned in para 14 that on the 2nd September, it had protested against Government negotiating with other parties. The sub-Committee were shown a subsequent letter of December 19, 1957 from this firm which reads as follows:

"We wish to confirm that as requested by the Government of India we have withdrawn our offer to purchase the above-mentioned spares and if this fact is found not to be true, we will be willing to accept the deal as agreed to with the Government of India".

No document, however, was made available to the sub-Committee to indicate when and in what terms Government requested the firm to withdraw its offer to purchase surplus spares.

32. *The sub-Committee would also like to draw attention to the fact that the barter aspect of the deal was one of the important considerations for deciding upon a single tender negotiated contract with this firm. Later, in September, 1957, it was decided not to dispose of the army surplus spares to the firm. The sub-Committee are surprised why this material deviation from the terms of letter of intent was not specifically brought to notice in December, 1957 when final orders for entering into a contract with the firm were sought.*

Defect in Provisioning

33. As regards the preparation of the list of spares, the sub-Committee wanted to know how such a large reduction (45 per cent of the original indent) in the firm demand of spares was discovered within a brief period of three months when the Defence authorities had more than 18 months to consider the matter. They were informed that the list which was supplied was based on the annual provisioning review undertaken from March, 1956, to cover the requirements of 1956-57. No annual provisioning review was undertaken in 1957 as was required under the rules. The sub-Committee were given to understand by the Director of Ordnance Services (D.O.S.) that this review in 1957 was not undertaken as these negotiations were in the offing. *The sub-Committee, on the other hand, feel that this only stressed the urgency of up-to-date reviews*

of requirements, so that the scope of the demand could be correctly ascertained. It was urged in extenuation that as the Director of Mechanical Engineering (D.M.E.) had no scaling cells located in the depots and workshops, the requirements of spares had been calculated on the basis of 'strip and view' and not on the basis of 'strip and rebuild'. In the case of armoured vehicles, however, the D.M.E. communicated to D.O.S. revised scales except for one type between August and December, 1957, before the conclusion of the contract. But it is not clear to the sub-Committee why even these new scales were not translated into items and quantities, and necessary adjustments not effected in the list already supplied to the firm. In the case of non-armoured vehicles, the D.M.E. stated that the new scales have not yet been established on the basis of 'strip and rebuild', but that this was in hand. He also mentioned that some amendments were issued in April, 1956 and April, 1957, but they related to only three or four types of vehicles out of a large number of types. It was only in February, 1958, after the contract had been signed, that a special provisioning review was ordered by the M.G.O. with the direction to complete it within a period of four weeks. The cancellations which were communicated in March, 1958 were the result of this special provision review. The sub-Committee enquired as to why this urgent provision review was undertaken after the contract had been concluded when its importance was totally overlooked at a time when it could have been effective. It was explained that the M.G.O. was under the impression that as these cancellations had been communicated within 90 days of the date of conclusion of the contract, they could have been effected. The sub-Committee are surprised to be told that the M.G.O. who was a member of the Negotiating Committee was not aware of the implications of this particular clause of the letter of intent and that he was still under the mistaken belief that he could have communicated cancellations within 90 days of the signing of the contract. It is also strange that though he had a copy of the contract, he had not noticed that the provision in the letter of intent regarding reductions/cancellations required incorporation of a list in the final contract.

34. As desired by the sub-Committee, they were furnished with a copy of a letter dated 7th December, 1957 from the Master General of Ordnance Branch to I.S.M., Washington. In para 3 of this letter it had been observed that a scrutiny of the latest list furnished by the firm of spares required by the Army revealed that the firm had omitted 535 items from that list although the items in question appeared in the list of requirements as furnished by the Army Head-

quarters. The I.S.M. were therefore asked to ensure that every single item included in the list furnished by the Army Headquarters less those since deleted was indented when the contract was finalised. But while endorsing copies of that letter to the Army Depots, it had been observed as follows:—

“You may like to re-examine whether or not any of the 535 items referred to in para 3 above can now be cancelled as not required”.

In the endorsement to the Ministry of Defence, it was stated that the Ministry should ensure that the contents of para 3 were brought to the notice of I.S.M. at the time they were advised to finalise the contract. *It is clear that the M.G.O. was in two minds about these 535 items. The sub-Committee are amazed how the M.G.O. can ask the I.S.M. to include the 535 items in the final contract as a firm demand and at the same time entertain a doubt about the demand, as his endorsements to the Depots indicated.*

Balanced Shipments

35. The sub-Committee would now turn to the question of balanced shipments. *One of the considerations on which the offer of the other firm mentioned earlier was not considered was that this firm could not give any undertaking that each shipment would be balanced even though it agreed to make the total supplies a balanced one. Though the same objection was made by the first firm and the letter of intent issued did not make any provision for each shipment being balanced; subsequently, as it was considered that this condition was the essence of the contract, it was provided in the contract that “eachshipment should constitute balanced supply so as to provide a complete range of spares proportionately balanced in quantity in respect of each item for the applicable vehicle section. (For instance, Ford Section, Chevrolet Section and so on).” It was held that “this condition was the essence of the contract”.*

36. In evidence it was admitted to the sub-Committee that it was extremely difficult to ensure that each shipment was balanced in items and quantities. Nor, indeed, was any arrangement made to ensure the enforcement of this condition of the contract which was considered its ‘essence’. *It seems to have been no more than a paper provision but was yet invoked as a justification for not considering the alternative offer received.*

37. The sub-Committee were given to understand by the D.O.S. that not a single shipment of spares despatched conformed to this condition. But they were accepted by the I.S.M. as balanced on the strength of a certificate given by the suppliers themselves and payments were made accordingly.

Over-Provisioning

38. *An important clause in the letter of intent was that Government would have the right of reducing, increasing or cancelling items and quantities within 90 days of the signing of the contract, the underlying intention being that as the list given to the supplier was a rough list based on 1956 review, there should be elbow room in the contract to adjust items and quantities in the financial interest of Government and to prevent acquiring of unwanted spares.*

In evidence, the Joint Secretary (Defence) who was the Chairman of the Negotiating Committee stated that in his view, it was an important clause. He had deliberately put it in because he was very familiar with the fluctuations in the M.G.O.'s indent. He, therefore, wanted to reserve this right and put in a lot of items in the list so that if Government wanted to withdraw certain items, they could do so. The final contract, however, did not secure this right to Government as a result of which, the firm repudiated in March, 1958 the cancellation of 45% of the stores (\$5,73,000) indented for, but accepted only cancellation of stores to the extent of \$86,000.

39. *The sub-Committee would like to point out in this connection that there had been a number of cases in the past wherein indents placed on the basis of provision reviews had to be cancelled either wholly or partially as a result of subsequent reviews [vide paras 47—52 and 56—60, 19th Report (First Lok Sabha); paras 14-15, 6th Report (Second Lok Sabha); paras 23—25, and 26—28, 17th Report (Second Lok Sabha)]. The Public Accounts Committee of 1955-56 in para 53 of their 19th Report (First Lok Sabha) had suggested that the system of provision review called for a thorough and detailed investigation of the bases on which the provision reviews were made and the estimates of requirements were acted upon. The sub-Committee regret to find that the position in regard to provision reviews has not improved since.*

40. *To summarise, it appears to the sub-Committee that the three most important considerations in this agreement were:*

- (a) *It was in the nature of a barter deal which would conserve India's foreign exchange and clear the army depots of unwanted spares;*

- (b) that each shipment would be balanced, so that the spares as and when received could immediately be utilized in the overhaul programme completing the required number of vehicles to be overhauled; and
- (c) that Government would have the right of reducing, increasing or cancelling items and quantities within 90 days of the signing of the contract.

The sub-Committee are constrained to observe that none of these vital conditions was in fact observed or realised in the fulfilment of the contract.

41. *Execution of the contract.*—The Comptroller and Auditor General made available to the sub-Committee a long pseudonymous complaint about the execution of the contract. The Auditor General had earlier informed the sub-Committee that he had made a copy of this letter available both to the Defence Secretary and Financial Adviser, Defence Services, so that they could make necessary enquiries in the matter. While the sub-Committee understand that this investigation is yet to be completed, both the F.A. and D.O.S. admitted in evidence that some of the allegations had already been established to be correct. For example, one complaint was that orders for a number of small canvas bags which are used as cover for the gun muzzle had been ordered from this supplier, though this item could have been easily indigenously produced. The price paid for this item was under this contract, after rebate, \$14.6. In a subsequent contract, as a result of the endeavours of the I.S.M., the price was reduced to \$10.28. The opinion expressed before the sub-Committee by the D.O.S. was that a bag like that could have been manufactured in India at 1/10 of the price paid. It was also mentioned that the quality of canvas was not up to specification and was inferior to the scaled sample. *The sub-Committee are alarmed to find that the price of this item, which fell also within the scope of the negotiations conducted, was so completely out of line with the intrinsic worth and the cost of such an article. They apprehend that a similar price differential might also have been allowed, though unknowingly, in the case of some major items.*

42. The sub-Committee were also informed that one of the complaints in the letter mentioned above that the suppliers had substituted Rzeppa joints for Bendix joints was correct. When these arrived at the depot, the D.O.S. refused to accept the substituted items as, in his opinion, these two types of joints were not interchangeable. This opinion was supported by the expert opinion of General Motors—the manufacturers. The M.G.O. accepted the contention of D.O.S. and even wrote to the Military Attache of the Mission concerned to say that this substitution of an inferior lower priced unsuitable spare would not be acceptable to Government. It was stated in evidence

that after this rejection the representative of the suppliers came to India with certain documents and convinced the army authorities about the interchangeability of these parts. Accordingly, the discrepancy report raised earlier was cancelled under instructions of the M.G.O. The Additional Secretary, Defence Ministry, informed the sub-Committee that the Ministry did not know that the part had been accepted as interchangeable by the military authorities, and that when they came to know of it, they thought that they still had a legal claim and referred the matter to the Law Ministry. The Law Ministry advised that in view of the commitments made by the M.G.O. there was no claim.

43. Though in the letter of intent it had been stipulated that supplies must be strictly according to specification, in the final contract (clause 15) a modification had been made and the suppliers were given the freedom to substitute interchangeable parts provided they were so indicated in the packing notes and invoices. *It came to notice in the examination of the witnesses that the firm had not indicated that Rzeppa joints were being substituted for Bendix joints and given a certificate that they were interchangeable. The complainant had even stated that in the case of switches, Dodge and G.M. switches were labelled with Ford part numbers. When questioned whether similar wrong numbering might have happened to Rzeppa joints supplied in lieu of Bendix, the D.O.S. could neither confirm nor contradict. The sub-Committee thought that this point could not have been overlooked at the time of the examination at the depot and desired that this should be immediately ascertained and reported. This is a serious charge needing full investigation.*

44. When the Additional Secretary was asked whether in seeking legal advice, he had drawn the attention of the Law Ministry to the fact that the contractor had not given any intimation of the substitution as required in terms of the contract, he stated that this aspect of the question had not been earlier considered. He promised, however, to put this aspect before the Law Ministry and seek their advice again. *The sub-Committee find it disturbing that, as a result of the acceptance of a substituted part Government have spent \$ 72,600 in acquiring spares of which they themselves were carrying a number much in excess of the indented number, the number in stock being 1869 against 1000 indented.*

45. The sub-Committee were also interested to ascertain the extent to which the surplus spares acquired from the supplier valued at \$4,40,000 have so far been utilized in the overhaul programme. They were informed by the Additional Secretary that up-to-date spares costing roughly \$ 69,000 had been so far utilised. *So, if the rate of utilization does not improve it would indeed take several years before the surplus is consumed. The sub-Committee were also*

informed that only a third of the total spares purchased from the suppliers had been utilized from April, 1958 till the end of February, 1960. The demand for the spares was considered urgent as it was stated that the repair and overhaul programme had to be completed by March, 1960. *Considering the rate of utilization of spares up-to-date, the sub-Committee are inclined to question the urgency of the demand which was one of the main considerations for departing from normal procurement procedure leading to the irregularities noticed and involving Government in financial loss.*

46. *Conclusion.*—In conclusion, the sub-Committee would like to observe that they are far from happy at the manner in which the contract had been concluded and executed. They, therefore, consider that the case required an impartial investigation with reference to the following aspects:—

- (i) The justification for negotiating with the firm without inviting open tenders;
- (ii) The safeguards taken to protect the interest of Government against the risk of high prices inherent in a single negotiated contract;
- (iii) The reasons for the failure to undertake special review for assessing the firm requirement of spares before the final conclusion of the contract;
- (iv) The reasons that led to the cancellation of the sale of surplus spares to the firm;
- (v) The performance of the contract with reference to its terms and conditions;
- (vi) Fixation of responsibility on individuals for lapses, if any, and introduction of remedial measures for future.

NEW DELHI;

The 14th April, 1960.

Chaitrā 25, 1882 (Saka)

Chairman,
Sub-Committee of the Public Accounts
Committee.

ANNEXURE

Para 13 of Audit Report (Defence Services), 1959

Contract for supply of Mechanical Transport spares

In April, 1956, a foreign firm offered to supply the full range of spare parts required for war time Army vehicles of North American origin and to purchase all surplus spares of such Army vehicles held by the Government. Enquiries, pending at that time, both in London and Washington for the purchase of the spares were thereupon suspended but no action was taken (as urged by the Ministry of Finance) to ascertain from the India Supply Mission whether any other dealer could make a competitive offer for the complete range of needed spares. Instead, direct negotiations were commenced with this firm in February, 1957 as it was thought that the firm's offer to purchase all the surplus vehicle spares lying with the Army would release valuable storage accommodation and result in a considerable saving in dollar exchange. A "letter of intent" was accordingly issued to the firm on May 4, 1957, which contained the following heads of agreement:—

- (a) The list of spares and the dollar prices at which they would be supplied by the firm to be drawn up.
- (b) The right to vest in Government to delete, reduce or increase the quantities demanded against any item, within three months from the date of placing of the formal contract, provided that the Government furnished along with the contract a list of items that might be thus deleted, reduced or increased in quantity.
- (c) The firm to purchase Government's surplus vehicle spares upto a quantity not exceeding 4250 tons, at a flat rate of \$ 110 per ton.

After the India Supply Mission had been authorised to place a formal contract on the firm on the above lines in September, 1957, another foreign firm offered on October 18, 1957 to supply the entire range of spares at rates which were 10% lower than those offered by the first firm with the further offer that 50% of the price could be paid in rupees*. This offer could not, however, be accepted as Government was bound by the "letter of intent" issued in May, 1957. A contract for \$ 12,63,324 was finally concluded with the first firm on December 18, 1957.

*The final offer of the other foreign firm was lower by 6.6% only i. e. Rs. 4.71 lakhs in value, with agreement to accept 25% of the payment in rupees.

Subsequently, it was found that the quantities stipulated in the contract were over-estimated and four amendments were proposed by the Government to the firm between December 18, 1957 and March 17, 1958, for the cancellation of quantities valued at \$ 5,73,952. The firm, however, agreed to the cancellation of items costing \$ 86,744 only on the following grounds:—

- (a) A list of the items on which Government reserved the right of subsequent deletion or reduction was not appended as stipulated to the formal contract in terms of the "letter of intent";
- (b) Arrangements had already been made for the manufacture or procurement of the items in question and some of the cancelled items had already been shipped on urgent requisitions from the Defence authorities themselves.

The failure on the part of the Government to include in the formal contract a list of spares which could be cancelled or reduced has presumably resulted in the unnecessary acquisition of spares valued at \$ 4,87,000 approximately (Rs. 23.19,000). It has been explained by the Ministry that at the time of assessing their requirements initially, they had no reliable scales of spares for these vehicles and that their initial assessment was based on an examination of the worn-out parts of a few selected vehicles in 1955. Subsequently, when the actual "wastage returns" were received by about December, 1957 from the workshops, the requirements were more scientifically assessed and were found to be much less than what was originally computed.

Since 8,600 Army vehicles had been overhauled in Defence workshops between October, 1952 and May, 1955, it appears that the requirements of spares could have been reasonably estimated on the basis of past experience. Moreover, although the "letter of intent" of May, 1957 definitely contemplated the execution of a concurrent contract by the firm for the purchase of Army surplus spares not exceeding 4250 tons, at a price of \$ 110 per ton, no such contract was eventually concluded. Only a negligible quantity of 5 tons of some selected items appears to have been actually purchased by the firm at \$ 230 per ton. The major consideration, which prevailed with Government in accepting this negotiated single tender contract *viz.*, release in storage accommodation and saving in foreign exchange has thus failed to materialise. No explanation has been offered to audit in this matter.

APPENDICES

APPENDIX I

Proceedings of the Sixtieth sitting of the Public Accounts Committee held on Monday, the 18th April, 1960

The Committee sat from 10.00 to 10.30 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri T. Manan
3. Shri Shamrao Vishnu Parulekar
4. Shri Radha Raman
5. Shri Rameshwar Sahu
6. Shri T. Sanganna
7. Shri Vinayak Rao K. Koratkar
8. Shri Jaipal Singh
9. Shri Shraddhakar Supakar
10. Shri Rohit Manushankar Dave
11. Shri Surendra Mohan Ghose
12. Shri Jaswant Singh.

Shri A.K. Chanda, *Comptroller and Auditor General of India.*

Shri G.S. Rau, *Addl. Dy. Comptroller and Auditor General.*

Shri P.K. Basu, *Director of Audit, Defence Services.*

SECRETARIAT

Shri V. Subramanian, *Deputy Secretary*

Shri Y.P. Passi, *Under Secretary.*

The Committee considered and approved the undermentioned Reports:

- (i) Draft Twenty-seventh Report of the Public Accounts Committee on the Excesses over charged Appropriations disclosed in the Appropriation Accounts (Defence Services), 1957-58; and
- (ii) Report of the sub-Committee of the P.A.C. on the case referred to in para 13 of the Audit Report (Defence Services), 1959, *re.* Contract for supply of Mechanical Transport spares.

The Committee then adjourned sine die.

APPENDIX II

Summary of the Conclusions/Recommendations

Serial No.	Para No.	Ministry or Department concerned	Conclusions/recommendations
I	2	3	4
I	20-21	Defence	In reply to a question as to why the supplier approached the M.G.O. and not the procuring agency, it was explained that it was not unusual for suppliers to approach officers of the Defence Ministry or of the Defence Headquarters with offers for supplies. The Committee would like to invite attention to the observations in para 34 of their 9th Report (First Lok Sabha) and para 50 of their 15th Report (First Lok Sabha) where they have commented adversely on the practice of the indenting authorities having any direct contact with suppliers, or even of indicating a source of supply. They regret to observe that the above recommendations which were accepted by Government have not been complied with in this case.
2	22	Do.	The barter aspect which was one of the important considerations in this single negotiated deal was ultimately given up. It was also admitted that in response to the tenders issued on earlier indents by I.S.M. this firm had also quoted and supplied, but had not been able to meet the full range required. Though the largest supplier, it had also defaulted. In such circumstances the Committee find no justification for entering into single negotiated contract with this firm in contravention of the prescribed procedure of inviting competitive tenders.

1	2	3	4
3	23	Defence	Although the importance of obtaining prices through I.S.M. had been stressed earlier by both the Financial Advisers, Defence Services and Ministry of W.H.&S., no action was taken in this regard. Nor was the capacity of the firm to supply the full range of spares verified before the negotiations commenced.
	24	Do.	(i) A suggestion was made by the Ministry of Finance (Defence) in October, 1956, that the firm be given a list of spares both to be purchased and disposed of by the Army as it would have been a valuable yardstick of comparison and would have enabled the negotiating committee to determine prices of the surplus stores to be sold to the firm. The Committee regret to learn that this suggestion was not acted upon.
	25	Do.	(ii) Although the negotiating committee was aware that the quotations of the firm were inflated, it could only effect reduction of the order of 10% in the prices for non-armoured vehicles.
5	26	Do.	But for the offer of the Indian firm to meet the full requirements of wireless equipment at a cost of Rs. 14.7 lakhs and the review in its wake, unwanted stores to the extent of Rs. 19 lakhs would have been ordered from the foreign firm.
6	28	Do.	The Committee feel that dropping the provisions for the sale of spares on the plea that better offers had been received lacked justification. Even the so-called better offer from a local firm was neither processed nor accepted. On the other hand, it was decided on September 17, 1957, that the surplus should be declared to the D.G.S. & D. who should invite global tenders for its disposal. If global tenders could throw up competitive prices for sales, they could equally do so in the case of purchases.
7	29	Defence	It is strange that even between September and November, 1957, no action was taken to follow up the decision to dispose* of surpluses through the D.G.S & D. It

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is also inexplicable that while, on the one hand, disposal action was suspended in November-December, 1957, on the other in March, 1958, cancellation to the extent of 45 per cent of the order originally placed on the firm in December, 1957 had been communicated. The two decisions are, in the Committee's opinion, irreconcilable,

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| 8 | 30 | Defence | <p>If the intention was to resile from the sale of surplus vehicle spares to the firm retaining the other part of the deal, it is not clear why stress has been laid on the sale to the firm in the note seeking legal opinion. The Committee feel, therefore, that what was stated in evidence by the Additional Secretary is in conflict with his recorded views. Again, when the firm wanted more than the stipulated time (three months) for the removal of the material, the Additional Secretary noted on 24th June, 1957 "as the whole object of this deal is to clear our godowns of the surplus stock as quickly as possible to make space available for our essential requirements, we cannot agree to the relaxation asked for." Even this note by the Additional Secretary does not go to support his contention.</p> |
| 9 | 31 | Do | <p>No document was made available to the Committee to indicate when and in what terms Government requested the firm to withdraw its offer to purchase surplus spares.</p> |
| 10 | 32 | Do
<u>Finance</u>
(Defence) | <p>The Committee would also like to draw attention to the fact that the barter aspect of the deal was one of the important considerations for deciding upon a single tender negotiated contract with this firm. Later, in September, 1957, it was decided not to dispose of the army surplus spares to the firm. The Committee are surprised why this material deviation from the terms of letter of intent was not specifically brought to notice in December, 1957, when final orders for entering into a contract with the firm were sought.</p> |

I	2	3	4
II	33	Defence	<p>(i) The Committee were given to understand by the D.O.S. that the review in 1957 was not undertaken as these negotiations were in the offing. The Committee on the other hand, feel that this only stressed the urgency of up-to-date reviews of requirements, so that the scope of the demand could be correctly ascertained.</p> <p>(ii) It is not clear to the Committee why even the new scales in respect of the armoured vehicles communicated by the D.M.E. to the D.O.S. between August and December, 1957 were not translated into items and quantities and necessary adjustments not effected in the list already supplied to the firm.</p> <p>(iii) The Committee are surprised to be told that the M.G.O. who was a member of the Negotiating Committee was not aware of the implications of paragraph 3 of the letter of intent and that he was still under the mistaken belief that he could have communicated cancellations within 90 days of the signing of the contract. It is also strange that though he had a copy of the contract, he had not noticed that the provision in the letter of intent regarding reductions/cancellations required incorporation of a list in the final contract.</p>
12	34	Do.	<p>It is clear from a letter dated 7th December, 1957 from the M.G.O. to the I.S.M. and its endorsements to the Ministry of Defence and Army Depots that the M.G.O. was in two minds about 535 items, which had been omitted by the firm from the list of requirements furnished by the Army Headquarters. The Committee are amazed how the M.G.O. can ask the I.S.M. to include the 535 items in the final contract as a firm demand and at the same time entertain a doubt about the demand, as his endorsements to the Depots indicated.</p>
13	35	Defence	<p>(i) One of the considerations on which the offer of the other firm was not considered was that this firm could not give any undertaking that each shipment would</p>

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be balanced even though it agreed to make the total supplies a balanced one.

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(ii) It was admitted to the Committee that it was extremely difficult to ensure that each shipment was balanced in items and quantities. Nor, indeed, was any arrangement made to ensure the enforcement of this condition of the contract which was considered its 'essence'. It seems to have been no more than a paper provision but was yet invoked as a justification for not considering the alternative offer received.

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Defence

An important clause in the letter of intent was that Government would have the right of reducing, increasing or cancelling items and quantities within 90 days of signing of the contract, the underlying intention being that as the list given to the supplier was a rough list based on 1956 review, there should be elbow room in the contract to adjust items and quantities in the financial interest of Government and to prevent acquiring of unwanted spares. In evidence, the Joint Secretary (Defence) who was the Chairman of the negotiating committee stated that in his view, it was an important clause. He had deliberately put it in because he was very familiar with the fluctuations in the M.G.O.'s indent. He, therefore, wanted to reserve this right and put in a lot of items in the list so that if Government wanted to withdraw certain items, they could do so. The final contract, however, did not secure this right to Government as a result of which, the firm repudiated in March, 1958, the cancellation of 45% of the stores (\$ 5,73,000) indented for, but accepted only cancellation of stores to the extent of \$ 86,000.

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Do.

The Committee would like to point out in this connection that there had been a number of cases in the past wherein indents placed on the basis of provision reviews had to be cancelled either wholly or partially as a result of subsequent

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reviews [*vide* paras 47-52 and 56-60, 19th Report (First Lok Sabha) ; paras 14-15, 6th Report (Second Lok Sabha) ; paras 23-25, and 26-28, 17th Report (Second Lok Sabha)]. The Public Accounts Committee of 1955-56 in para 53 of their 19th Report (First Lok Sabha) had suggested that the system of provision review called for a thorough and detailed investigation of the bases on which the provision reviews were made and the estimates of requirements were acted upon. The Committee regret to find that the position in regard to provision reviews has not improved since.

16 40 Defence To summarise, it appears to the Committee that the three most important considerations in this agreement were :

- (a) It was in the nature of a barter deal which would conserve India's foreign exchange and clear the army depots of unwanted spares;
- (b) that each shipment would be balanced, so that the spares when received could immediately be utilized in the overhaul programme completing the required number of vehicles to be overhauled ; and
- (c) that Government would have the right of reducing, increasing or cancelling items and quantities within 90 days of the signing of the contract.

The Committee are constrained to observe that none of these vital conditions was in fact observed or realised in the fulfilment of the contract.

17 41 Do. The Committee are alarmed to find that the price of the canvas bag, which also fell within the scope of the negotiations conducted, was so completely out of line with the intrinsic worth and the cost of such an article. They apprehend that a similar price differential might also have been allowed, though unknowingly, in the case of some major items.

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18	43	Defence	<p>It came to notice in the examination of the witnesses that the firm had not indicated that Rzeppa joints were being substituted for Bendix joints and given a certificate that they were interchangeable. The complainant had even stated that in the case of switches, Dodge and G.R. switches were labelled with Ford part numbers. When questioned whether similar wrong numbering might have happened to Rzeppa joints supplied in lieu of Bendix the D.O.S. could neither confirm nor contradict. The Committee thought that this point could not have been overlooked at the time of the examination at the depot and desired that this should be immediately ascertained and reported. This is a serious charge needing full investigation.</p>
19	44	Do.	<p>(i) When the additional Secretary was asked whether in seeking legal advice, he had drawn the attention of the Law Ministry to the fact that the contractor had not given any intimation of the substitution as required in terms of the contract, he stated that this aspect of the question had not been earlier considered. He promised, however, to put this aspect before the Law Ministry and seek their advice again.</p> <p>(ii) The Committee find it disturbing that, as a result of the acceptance of a substituted part (Rzeppa joints) Government have spent \$ 72,600 in acquiring spares of which they themselves were carrying a number much in excess of the indented number, the number in stock being 1869 against 1000 indented.</p>
20	45	Do.	<p>(i) If the rate of utilization of the surplus spares does not improve it would indeed take several years before the surplus is consumed.</p> <p>(ii) Considering the rate of utilization of spares up-to-date, the Committee are inclined to question the urgency of the demand which was one of the main considerations for departing from normal</p>

1	2	3	4
			procurement procedure leading to the irregularities noticed and involving Government in financial loss.
21	46	Defence	<p>In conclusion, the Committee would like to observe that they are far from happy at the manner in which the contract had been concluded and executed. They, therefore, consider that the case required impartial investigation with reference to the following aspects :</p> <ul style="list-style-type: none"> (i) The justification for negotiating with the firm without inviting open tenders; (ii) The safeguards taken to protect the interest of Government against the risk of high prices inherent in a single negotiated contract; (iii) The reasons for the failure to undertake special review for assessing the firm requirement of spares before the final conclusion of the contract; (iv) The reasons that led to the cancellation of the sale of surplus spares to the firm; (v) The performance of the contract with reference to its terms and conditions; (vi) Fixation of responsibility on individuals for lapses, if any, and introduction of remedial measures for future.

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY
PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI—I**

Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	50.	Chanderkant Chiman Lal Vora, Gandhi Road, Ahmedabad.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	51.	S. Krishnaswamy & Co., P.O. Teppakulam, Trichinapalli-1.
3.	British Book Depot, 84, Hazratganj, Lucknow.	28.	City Booksellers, Sohan-ganj Street, Delhi.	52.	Hyderabad Book Depot, Abid Road, (Gun Foundry) Hyderabad.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area Mathura Road, New Delhi.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	54.	C.V. Venkatachala Iyer, Near Railway Station, Chalakudi, (S.I.).
6.	H. Venkataramaiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	55.	The Chidambaram Provision Stores, Chidambaram.
7.	International Book House, Main Road, Trivandrum.	32.	M.S.R. Murthy & Co., Visakhapatnam.	56.	K.M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	57.	The Swadesamitran Ltd., Mount Road, Madras-2.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	34.	The Good Companion, Baroda.	58.	The Imperial Publishing Co., 3, Fuz Bazar, Daryaganj, Delhi-6.
10.	Book Centre, Opp. Patna College Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	The High Commission of India, Establishment Department Aldwych, London, W.C.-2.
11.	J. M. Jaina & Brothers, Mori Gate, Delhi-6.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	60.	Current Book Stores, Maruti Lane, Raghunath Dada Street, Bombay-1.
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	International Consultants Corporation, 18-C, Marredpally (East), Secunderabad, (A.P.).
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. G. Asceervandam & Sons, Cloughper, P.O. Ongoli, Guntur Dist. (Andhra).
14.	The New Book Depot, 79, The Mall, Simla.	39.	E.M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura.	63.	The New Order Book Co. Ellis Bridge, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M.U., Aligarh.	64.	The Trivani Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Gani, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayna Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi-5.
18.	The New Book Depot, Modi No. 3, Nagpur.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.	67.	'Bookland', 663, Madar Gate, Ajmer (Rajasthan).
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.	44.	W. Newman & Co. Ltd., 3, Old Court House Street Calcutta.	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
20.	The English Book Stores, 7-L, Connaught Circus, New Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.	69.	Makkala Pustaka Press, Balamandira, Gandhinagar, Bangalore-9.
21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.	70.	Gandhi Samriti Trust, Bhavnagar.
22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narain Aggarwal, Hospital Road, Agra.	71.	People's Book House, Opposite Jaganmohan Palace, Mysore-1.
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers, Trichinopoly-3.	49.	D. B. Taraporevala & Sons, Co. Private Ltd., 210, Dr. Naoroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W.E.A., Karol Bagh, New Delhi-5.				

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY
PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1—Contd.**

Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.	Agency No.	Name and address of the Agent.
72.	'JAGRITI' Bhagalpur-2. BIHAR.	79.	Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.	87.	Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
73.	The New Book Company (P) Ltd., Kitab Mahal, 188-90, Dr. Dadabhai Naoroji Road, Bombay.	80.	Madhya Pradesh Book Centre, 41, Ahilya Pura, Indore City (M.P.)	88.	The United Book Agency, 48, Amritkaur Market, Paharganj, New Delhi.
74.	The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.	81.	Mittal & Co., 85-C, New Mandi, Muzaffar Nagar (U.P.).	89.	Pervaje's Book House, Book Sellers & News Agents, Koppikar Road, Hubli.
75.	Minerva Book Shop, 9, Jor Bagh Market, New Delhi-3.	82.	Firma K. L. Mukhopad- yay, 6/1A, Banchharam Akrur Lane, Calcutta-12.	90.	B. S. Jain & Co., 71, Abupura, Muzaffarnagar (M.P.).
76.	People's Publishing House, Rani Jhansi Road, New Delhi-1.	83.	Freeland Publications (P) Lt., 11-A/16, Lajpat Nagar, New Delhi.	91.	Swadeshi Vastu Bhandar, Booksellers, Jamnagar.
77.	Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School Annexe, Imphal, Manipur.	84.	Goel Traders, 100-C, New Mandi, Muzaffar Nagar (U.P.).	92.	Bhogilal L. Fanna, Book- stall Contractor, Railway junction, Rajkot.
78.	Minerva Book Shop, The Mall, Simla-1.	85.	Mehra Brothers, 50-G, Kalkaji, New Delhi. 19.	93.	Sikh Publishing House (P), Ltd., 7-C, Connaught Place, New Delhi.
		86.	The Krishna Book Depot, Publishers, Booksellers, Stationers & News Agents, Main Bazar, Pathankot, (E.P.)		

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PUBLIC ACCOUNTS COMMITTEE 1959-60

TWENTY-FIFTH REPORT

(SECOND LOK SABHA)

**[Appropriation Accounts (Civil), 1956-57 and 1957-58 and
Audit Reports (Civil), 1958 and 1959]**

VOL. I—REPORT

[Introduction, Chapter I---Financial Results of the Government of India (Civil Grants) 1956-57 and 1957-58, Chapter II---Budgeting and Control over Expenditure and Chapter III---Important observations on Individual Ministries--Commerce and Industry, Finance (including Rehabilitation Finance Administration), Health, Irrigation & Power, Rehabilitation, Steel, Mines & Fuel and Works, Housing and Supply.]



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1960

Chaitra 1882 (Saka)

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE 1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
12. Shri Jaipal Singh
13. Shri Aurobindo Ghosal
14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

Shri S. L. Shakhder—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959 [*Vice* Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister] and was appointed as the Chairman of the Committee on the 12th September, 1959.

INTRODUCTION

1. the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-fifth Report on the Appropriation Accounts (including Proforma Commercial Accounts) (Civil). 1956-57 and 1957-58 and Audit Reports thereon.

2. The Appropriation Accounts (including Proforma Commercial Accounts) (Civil), 1956-57 and 1957-58 and Audit Report, 1958 and 1959 were laid on the Table of the House on the 19th December, 1958 and 27th August, 1959 respectively.

3. The Committee examined these Accounts and Audit Reports thereon during their sittings held in October and December, 1959.

4. The present Report of the Committee covers the Accounts for the years 1956-57 and 1957-58. To facilitate easy reference, the Report has been split up into two Volumes. The first Volume deals with the Ministries of Commerce and Industry, Rehabilitation, Finance (including Rehabilitation Finance Administration), Health, Irrigation and Power, Steel, Mines and Fuel and Works, Housing and Supply. The other Volume will cover the remaining Ministries and the Minutes of all the sittings of the Committee.

5. At their sitting held on the 22nd October, 1959, the Committee appointed a sub-Committee to examine in detail certain aspects of the working of the Iron and Steel Controller's Organisation, Calcutta referred to in paragraphs 36 to 39 of Audit Report (Civil), 1958—Part I and paragraphs 35 and 37 of Audit Report (Civil), 1959—Part I. The sub-Committee studied the Iron and Steel Controller's Organisation on the spot and held informal discussions with its representative as well as with the Secretary, Ministry of Steel, Mines and Fuel (Department of Iron and Steel). The various observations and conclusions of the sub-Committee as adopted by the Public Accounts Committee have been embodied in their Twenty-sixth Report (Second Lok Sabha).

6. During the course of the examination of these Accounts and Audit Reports thereon, certain Ministries brought to the notice of the Committee information which had not been furnished to Audit in time and as such was not taken into account in finalisation of the

relevant paragraphs in the Audit Reports. The Comptroller and Auditor General apprised the Committee of the existing procedure laid down by the P.A.C. in paragraph 12 of their Report on the accounts for 1943-44, which was circulated by the Finance Department in 1946, according to which the Ministries were given six weeks to verify the facts included in the draft Audit paragraph and in case the Ministries did not furnish the requisite information to Audit within this period, the paragraph as prepared by Audit was treated as final and included in the Audit Report. The Committee's attention was also invited to paragraph 37 of their First Report (First Lok Sabha) wherein they had deprecated the tendency on the part of the Ministries to refute the facts embodied in the Audit Reports. *They would reiterate their earlier recommendations and trust that the Ministries will always make it a point to furnish the requisite information to Audit within the prescribed period of six weeks. If in exceptional cases it is not possible to do so, the correct position should be furnished to the Committee through Audit so as to enable them to arrive at proper conclusions.*

7. The Committee considered and approved this Report at their sittings held on the 16th, 17th and 22nd March, 1960.

8. A statement showing the summary of the main conclusions/recommendations of the Committee has been appended to this Report (Appendix I). For facility of reference, these have been printed also in italics in the body of the Report.

9. The Committee place on record their appreciation of the great assistance rendered to them in their examination of these Accounts by the Comptroller and Auditor General of India.

NEW DELHI;

The 22nd March, 1960

Caitra 2, 1882 (Saka)

UPENDRANATH BARMAN

Chairman,

Public Accounts Committee.

I

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA (CIVIL GRANTS), 1956-57 AND 1957-58

During the year 1956-57, the Voted Grants for Civil Expenditure stood at Rs. 868·22 crores (original Rs. 739·76 crores and supplementary Rs. 128·46) and appropriations for 'charged' expenditure stood at Rs. 3410·88 crores (original Rs. 3405·05 crores and supplementary Rs. 5·83 crores). The total expenditure against these grants and appropriations was Rs. 682·33 crores and Rs. 2946·90 crores respectively. Out of this expenditure, Rs. 430·65 crores were on Revenue Account, Rs. 335·25 crores on Capital Account and Rs. 2863·33 crores on disbursement of Loans and Advances. There was thus a net saving of Rs. 649·87 crores over final grants and appropriations (Voted Grants Rs. 185·89 crores and Charged Appropriations Rs. 463·98 crores).

Savings aggregating Rs. 194·02 crores occurred in 131 out of 142 Grants the percentage of savings ranging from ·01 to 100. Fourteen Grants alone were responsible for about 75% of the total savings of 194·02 crores. Similarly, there were savings of Rs. 464·11 crores in 27 out of 32 Charged Appropriations. The Appropriation "Loans and Advances by the Central Government" accounted for a saving of Rs. 70·46 crores and "Repayment of Debt" for Rs. 387·08 crores. Under these heads, there were large savings in the preceding years also.

2. During the year 1957-58, the Voted Grants for Civil Expenditure stood at Rs. 1137·25 crores (original Rs. 1070·73 crores and supplementary Rs. 66·52 crores) and appropriations for 'charged' expenditure stood at Rs. 4361·40 crores (original Rs. 3924·40 crores and supplementary Rs. 437·00 crores). The total expenditure against these grants and appropriations was Rs. 921·45 crores and Rs. 4355·83 crores respectively. Out of this expenditure, Rs. 580·82 crores were on Revenue Account, Rs. 494·19 crores on Capital Account and Rs. 4202·27 crores on disbursement of Loans and Advances. There was thus a net saving of Rs. 221·37 crores over final grants and appropriations (Voted Grants Rs. 215·80 crores and Charged Appropriations Rs. 5·57 crores).

Savings aggregating Rs. 218·65 crores occurred in 118 out of 129 Grants, the percentage of savings ranging from ·13 to 78·7. Thirteen

Grants alone were responsible for about 80% of the total savings. Similarly, there were savings of Rs. 6·80 crores in 30 out of 37 Charged Appropriations.

Obviously, these large savings during 1956-57 and 1957-58 indicate overbudgeting and provision made prematurely for schemes. The statement below shows the savings under Capital Heads of the accounts:—

	1956-57	1957-58
	(In crores of Rs.)	
Final Grants and Appropriations	425·14	620·55
Savings	89·89	126·36
Percentage of Savings	21·14	20·36

3. The percentage of savings and excesses as compared with the original and final grants or appropriations as modified by supplementary Grants or Appropriations was as follows:—

	1956-57		1957-58	
	Savings (—)	or Excesses (+)	Savings (—)	Or Excesses (+)
	Original	Final	Original	Final
Voted	(—)7·76	(—)21·41	(—)13·94	(—)18·98
Charged	(—)13·45	(—)13·60	(+)10·99	(—)0·13

4. The following table shows at a glance the particulars of the original and final grants or appropriations and the expenditure actually incurred against them under the heads—

	(i) Revenue (ii) Capital, and (iii) Loans and Advances			(In thousands of Rupees)		
	Original Grant or Appropriation	Final Grant or Appropriation	Actual expenditure	Original Grant or Appropriation	Final or Appropriation	Actual expenditure
	1956-57			1957-58		
Expenditure met from Revenue (Voted)	3,19,38.26	3,35,19.27	2,80,94.81	4,05,35.30	4,30,52.61	3,64,25.66
Expenditure met from Capital (Voted)	3,17,61.53	4,25,01.01	3,35,17.88	5,79,03.68	6,20,37.61	4,94,08.45
Disbursements of Loans and Advances (Voted)	1,02,76.66	1,08,01.66	66,20.21	86,33.44	86,33.44	63,11.72
TOTAL (Voted)	7,39,76.45	8,68,21.94	6,82,12.90	10,70,72.42	11,37,24.66	9,21,45.23
Expenditure met from Revenue (Charged)	1,50,31.99	1,56,08.05	1,49,69.81	1,71,01.66	2,16,91.02	2,16,56.82
Expenditure met from Capital (Charged)	5.62	12.68	7.07	12.29	17.05	10.24
Disbursements of Loans & Advances (Charged)	32,54,67.50	32,54,67.50	27,97,13.37	37,53,27.08	41,44,32.03	41,39,15.47
TOTAL (Charged)	34,05,05.11	34,10,88.23	29,46,90.25	39,24,40.43	43,61,40.10	43,55,82.53
TOTAL Expenditure met from Revenue	4,69,70.25	4,91,27.32	4,30,64.62	5,76,36.36	6,47,44.63	5,80,81.88
TOTAL Expenditure met from Capital	3,17,67.15	4,25,13.69	3,35,24.95	5,79,15.97	6,20,54.66	4,94,18.69
TOTAL Disbursements of Loans and Advances	33,57,44.16	33,62,69.16	28,63,33.58	38,39,60.52	42,30,65.47	42,02,27.19
GRAND TOTAL (Charged and Voted)	41,44,81.56	42,79,10.17	36,29,23.15	49,95,12.85	54,98,64.76	52,77,27.76

Excesses over Voted Grants/Charged Appropriations.

5. Despite large savings over the total final grants as stated in paras 2 and 3 above, the actual expenditure during the year 1956-57 exceeded Voted Grants/Appropriations in 15 cases—11 Voted Grants and 4 Charged Appropriations. The Committee had already examined these excesses and submitted a separate Report *viz.*, Sixteenth Report (Second Lok Sabha) recommending the regularisation of those excesses in accordance with the provisions of Article 115 of the Constitution. These excesses have been regularised by Parliament *vide* Appropriation (No. 5) Act, 1959 (Act No. 35 of 1959).

6. Similarly during the year 1957-58 the actual expenditure exceeded Voted Grants/Appropriations in 15 cases—11 Voted Grants and 4 Charged Appropriations. The Committee have also examined these excesses and have submitted a separate Report *viz.*, Twenty-third Report (Second Lok Sabha), recommending the regularisation of these excesses in accordance with the provisions of Article 115 of the Constitution.

II

BUDGETING AND CONTROL OVER EXPENDITURE

6. Supplementary Grants to the extent of Rs. 128·45 crores were obtained during the year 1956-57, representing 17·37 per cent of the original Voted Grants. Out of the total gross savings of Rs. 194·02 crores in Voted Grants a sum of Rs. 166 crores was surrendered before the close of the year. The latter included a sum of Rs. 21 lakhs surrendered from Grants which resulted in excess. Most of these surrenders were made towards the close of the year. *The Committee feel that such surrenders made towards the close of the year do not serve any purpose as these could not be diverted for other purposes at that stage.* Similarly, Supplementary Grants aggregating Rs. 66 crores were obtained during 1957-58, representing 6·2 per cent of the original Voted Grants. Out of the total gross savings of Rs. 218·65 crores on voted grants, a sum of Rs. 176 crores was surrendered.

7. Ten supplementary Grants aggregating Rs. 7,54,74,000 obtained during 1956-57 proved to be eventually unnecessary. Similarly in the year 1957-58, 9 supplementary Grants aggregating Rs. 14,61,07,000 proved to be unnecessary. *In both the years there were also cases where substantial portion of the supplementary grants or appropriations remained unutilised.*

There were also several cases of re-appropriation and modifications under individual sub-heads which turned out to be either excessive or unnecessary. All this indicates defective control over expenditure.

8. The Committee have already made a number of recommendations on estimates and financial control in their Eighth Report (Second Lok Sabha) and the Ministry of Finance (Department of Economic Affairs) have issued comprehensive instructions in their O.M. No. F. 9(5)-E(Coord)/58, dated the 18th August, 1958, enhancing the financial powers of the administrative Ministries and remodelling the administrative processes relating to the preparation of budget and supplementary estimates and the financial approval to new schemes. The impact of these instructions can only be known when the accounts for the year 1959-60 are taken up by the Committee for examination.

9. The Comptroller and Auditor General has observed in his Report (1959) on the Accounts for 1957-58 that the utilisation of the appropriations by itself is no index of the wisdom of the expenditure incurred. He has added that there had been cases in which projects and programmes once accepted were continued even when it became evident that their initial planning and location were faulty and that they would fail to fulfil largely the purposes for which they were undertaken. *The Committee are inclined to endorse the above observations. In this connection they would draw attention to the Silver Refinery Project (paras 35-36), Pilot Plant for production of different types of paper*, Establishment of a show-room-cum-Trade Centre in Geneva (paras 13-16), and **Acquisition of premises for the Tourist Office in Paris.* Another aspect of injudicious spending referred to by the Comptroller and Auditor General was the rush of expenditure in March to avoid lapse of funds. *The Committee attach great importance to the even flow of expenditure during the year as haste results in waste.*

10. *It has been observed by the Comptroller and Auditor General that the first canon of financial propriety, viz. that those in control of public expenditure should exercise the same care and prudence as they do in regard to their personal expenditure was not "infrequently disregarded." Considerable economies, more particularly in the major projects, can be effected if this salutary principle is scrupulously observed. The Committee trust that Government will bestow thought on these observations.*

11. The Committee will now refer to some of the specific cases of over-budgeting and laxity of control over expenditure during the years under report as disclosed in the respective Audit Reports.

(a) Ministry of Community Development

Appropriation Accounts (Civil), 1957-58, Vol. III, Grant No. 105—Capital Outlay of the Ministry of Community Development.

Out of a total provision of Rs. 1,67,49,000 under this Grant there was a saving of Rs. 1,02,06,314, viz. 60.9 per cent.

The Committee were informed that the estimates proved wrong due to non-arrival of equipments from the U.S.A. under the T.C.M. agreements and over-estimating of their costs in the first instance on the advice of foreign experts.

*See paras relating to the Ministry of Food & Agriculture (Deptt. of Agriculture) in Volume II of this Report.

**See paras relating to the Ministry of Transport & Communications (Deptt. of Transport) in Volume II of the Report.

(b) Ministry of External Affairs

Appropriation Accounts (Civil), 1956-57, Vol. VI, Grant No. 22—Tribal Areas.

Out of the final provision of Rs. 6,66,08,000 under this Grant, there was a saving of Rs. 1,96,94,767, viz., 30 per cent.

The Committee were informed that there had been a considerable improvement in budgeting in 1958-59. But certain difficulties still remained to be removed. The non-receipt of debits from the Ministry of Defence, who did the work, was the main difficulty. *The Committee desire that the Ministry of External Affairs should in consultation with the Ministry of Defence and Audit evolve a suitable procedure to ensure that the debits in respect of supplies and services are adjusted in the accounts without delay.*

(c) Ministry of Food & Agriculture

(Department of Agriculture)

Appropriation Accounts (Civil), 1956-57, Vol. VII, Grant No. 44—Agriculture, page 48.

Out of a provision of Rs. 16,38,62,000 under this Grant, there was a saving of Rs. 673,25,185 as the large provisions for Grants to State Governments for Grow More Food and other agricultural schemes remained unutilised.

The Committee were informed that in regard to several of the schemes, there had been a delay in starting the work as provision was made on the basis of the Five Year Plan without any regard to the capacity of the States concerned to implement the project. At the same time, due to the reorganisation of States during this year a number of States could not utilise the amount that was provided for in the budget. *The Committee desire that Government should ensure that in future provision in the budget is made for sanctioned schemes with due regard to the capacity of the States concerned for implementing the projects.*

(d) Appropriation Accounts (Civil), 1957-58, Vol. VII—Grant No. 45—Civil Veterinary Services.

Out of a provision of Rs. 1,44,35,000 under this Grant, there was a saving of Rs. 57,59,282. Provision for grants to States under group-head C remained largely unutilised.

The Committee enquired about the progress made in the rinderpest scheme. They were informed that the scheme had been successful although the entire country had not yet been covered. The non-

utilisation of grants was due to non-availability of equipment and trained personnel in the States and the late starting of the scheme.

(e) Ministry of Health

Appropriation Accounts (Civil), 1956-57 and 1957-58, Vol VIII.

The Committee noticed large savings under the heads "Medical Services", "Public Health" and "Capital outlay of the Ministry of Health" during 1956-57. They were informed that there was in the first instance considerable delay at the Centre in settling the pattern of assistance to State Governments for executing the Centrally-sponsored schemes. And, in some cases, where the pattern of assistance was communicated to the State Governments, the latter took a long time to submit their schemes. *The Committee feel that such delays should be avoided in future.*

(f) Ministry of Home Affairs

Appropriation Accounts (Civil), 1956-57 and 1957-58, Vol. IX.

The Committee noticed savings under the following Grants during the year 1956-57, the percentage of savings ranging from 12.5 to 52:

51—Ministry of Home Affairs.

57—Andamans and Nicobar Islands.

62—Miscellaneous Departments and Expenditure under the Ministry of Home Affairs.

131—Capital Outlay of the Ministry of Home Affairs.

In the following year also, the same Grants resulted in large savings which ranged from 12.9 to 73.7 per cent.

During the year 1956-57, there was also a saving of Rs. 76.25 lakhs under Grant No. 58—Kutch against the total provision of Rs. 1.48 crores. The Committee were informed that the transfer of Kutch to Bombay State on 1st November, 1956 under the States Re-organisation Act accounted for the shortfall, as the funds had been provided for the full year.

Regarding the savings of Rs. 2.18 crores out of the budgeted amount of Rs. 5.24 crores under Grant No. 62—Miscellaneous Departments and expenditure under the Ministry of Home Affairs, in the year 1956-57, the Committee were informed that the grant had been sanctioned for the purposes of grants-in-aid to State Governments for statistical work, social and moral hygiene and after-care services and welfare of backward classes. But the scheme for statistical purposes could not be implemented by the States due to shortage of

qualified personnel, time taken for recruitment of staff and setting up of the statistical agencies and post-budget modifications of the scheme. *Provision of such a large sum for a scheme without ascertaining whether it could be successfully implemented during the budget-year was prima facie wrong.* There was also considerable dislocation in the work to be done for backward classes due to re-organisation of States.

(g) Ministry of Labour and Employment

Appropriation Accounts (Civil), 1956-57, Vol. XIII—Grant No. 71—Chief Inspector of Mines.

There was a saving of Rs. 11,98,906 out of a total provision of Rs. 24,40,000 under this grant, *viz.* 49 per cent.

Explaining the reasons for savings, the Secretary of the Ministry stated that in spite of repeated advertisements, Government could not get the requisite technical personnel. With the improvement in the pay scales agreed to by Government, it was hoped that vacancies would be filled up. The Committee enquired why the Ministry could not train some personnel at their own expense. It was stated in evidence that training facilities were being increased, but the course of training being very lengthy, the suggestion would not provide an immediate solution to the problem. *The Committee are surprised that in spite of such uncertainties of which the Ministry were fully aware, provision was made so liberally.*

(h) Ministry of Scientific Research and Cultural Affairs

Appropriation Accounts (Civil), 1956-57, Vol. V. and 1957-58, Vol. XV.

The Committee noticed large savings under the heads "Botanical Survey" and "Zoological Survey" being 36% and 61% of the respective final grants during the year 1956-57 and 35% and 49% of the final grants during the year 1957-58.

The savings were explained as due to delay in taking up the projects. It was added that at the time of framing the budget for these projects only the outline of the plan had been approved by the Planning Commission.

In such cases, the proper course for the Ministry was either to make a 'token' provision in the budget or approach Parliament later for funds when the schemes had been worked out in detail.

III

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

12. In the following paragraphs, the Committee refer to some of the important points that they considered in the course of examination of the Accounts relating to various Ministries.

Ministry of Commerce and Industry

Audit Report (Civil), 1958—Part I

Heavy expenditure on the establishment of a show-room-cum-trade centre abroad, Para 19, pages 18-19.

13. To promote export trade, Government participated in a Fair held during September, 1954 in Geneva at which Indian goods worth nearly Rs. 3 lakhs were exhibited. As the exhibition evoked considerable interest, a foreign national who happened to be an employee of the A.I.L., a Government corporation in India and had obtained the necessary permission from the concerned authorities in Switzerland for engaging himself in trade was prevailed upon to organize in October, 1954 a firm for the display and sale of goods worth Rs. 74,000 left over from the Fair, pending the setting up by Government of a permanent show-room-cum-sale centre. Ultimately, the firm took over goods worth only Rs. 34,000. At this stage no formal agreement was concluded with the firm but certain terms and conditions were informally discussed and taken as agreed upon by the Ministry.

Subsequently in March, 1955, the firm was paid a sum of Rs. 19,500 to cover a part of the initial expenses incurred by it in organising the temporary show-room.

As the firm had been set up to organise business exclusively in Indian products and as other local firms engaged in selling Indian goods were considered unsuitable, it was understood that the firm would conduct wholesale trade in Indian goods supplied through Government and Government Undertakings and also be free to engage itself in retail trade.

The premises for the permanent show-room-cum-sale centre were acquired in February, 1955 on lease for a monthly rent of Rs. 1,850 for 4½ years; in addition, an amount of Rs. 2,17,865 had to be paid as goodwill money to the former occupant for transfer of the lease

rights. The ground floor of the building was used as a show-room and a portion of the first floor was made available to the firm for the selling business in pursuance of the understanding given to it. The firm was required to make purchases on a cash or on consignment basis from the show-room and a depot in the free port area which had been set up by Government for the storage of unused exhibits.

Formal agreement was entered into with the firm only in March, 1957. The expenditure incurred by Government upto 31st March, 1957, was Rs. 6,69,365, comprising Rs. 2,17,865 on goodwill money, Rs. 1,35,000 on equipment, renovation and furnishings, Rs. 1,01,000 on publicity and advertisement, Rs. 1,96,000 on establishment, rent, local taxes and contingent expenditure and Rs. 19,500 on the payment to the firm mentioned above. Against goods worth Rs. 3,07,000 received at the Centre (including some fresh consignments from India), the sales effected were only worth Rs. 94,300 (Rs. 41,800 in 1955-56 and Rs. 52,500 in 1956-57).

The agreement concluded with the firm in March, 1957 contained, among others, the following conditions:

- (i) The building together with all equipment and furnishing to be placed at the disposal of the foreign firm, as agent of Government, from 1st September, 1956 to 30th July, 1959, for giving publicity, and for conducting wholesale and retail trade in Indian goods, rent and other taxes being payable by Government.
- (ii) Government to pay for publicity arrangements, an amount of not less than Rs. 32,600 for the year ending 31st August, 1957, and such further annual amounts as may be determined by Government on the results achieved in the first year.
- (iii) After the expiry of the current lease on the 30th July, 1959, Government to transfer to the firm such occupancy rights as they may then have, subject to the provisions of the laws of the foreign country and the consent of the landlord being obtained. The firm will not pay any portion of the goodwill money already paid by Government but will pay for the stock in trade, furniture and other equipment. They will use the building exclusively for the display and sale of Indian goods.

The rent payable by the firm for the period between February, 1955 and September, 1956, amounting to nearly Rs. 37,000 has not been recovered so far from it.

14. In evidence, the Committee were informed that although it was difficult to assess the exact benefits accruing to India as a result of the opening of the show-room, yet Indian exports to Switzerland had risen from Rs. 70 lakhs in 1954 to Rs. 124 lakhs in 1957. It was, however, admitted that not all the increase in exports could be attributed to the opening of the show-room. In order to assess the benefits to the country by the opening of the show-room, the Committee desired to be furnished with a note indicating India's exports to Switzerland from 1953-54 to 1958-59; their break-up; especially of the goods exhibited in this show-room. *But they regret to observe that this note is still awaited.*

15. In the course of their examination, the Committee were given to understand that the Indian Embassy did not approve of Geneva for the show-room and the Consul General protested against the appointment of a new firm in preference to others already doing business in this line. The Secretary of the Ministry promised to look into this matter and inform the Committee. The information is still awaited. *In these circumstances the Committee are led to the conclusion that this experiment in export promotion involving such a heavy outlay was ill-conceived and did not serve the purpose in view. The Committee are not also very happy about the terms and conditions of transfer of the building to the firm. In their opinion the terms were heavily weighted in favour of the firm. As a Departmental Committee was examining the question of compensation payable by the firm for the transfer of the building to it, the Committee would prefer to defer their comments till the recommendations of the Departmental Committee and the decision of Government thereon are made available to them.*

16. As regards the godown at the free port of Geneva taken on a rent of Sw. Fr. 700 p.m. from 26th September, 1955 in view of the contemplated wholesale trade through the firm, the Committee regret to observe that it had not been put to full use so far although considerable expenditure had been incurred on its renovation and providing heating arrangements. The entire expenditure incurred on the godown so far has thus been infructuous. Here again, the Committee learnt that the Indian Embassy in Switzerland was not in favour of Government retaining this godown. The matter was reported to be under active consideration by Government. *The Committee suggest that the Ministry might examine the feasibility of using this godown as a central place for stocking goods intended for display at various exhibitions in Europe or America. This will save Government expenditure on transport of exhibits.*

Audit Report (Civil), 1959—Part I

Khadi and Village Industries Board/Commission, Arrangements for running a sales emporium—Para 22-A, page 20.

17. An Industrial Advisory Board set up by Government in February, 1953, opened in July, 1954, a Sales Emporium at its headquarters, the management of which was entrusted to a registered Association, already engaged in similar trading operations of its own, at a net remuneration of Rs. 1,000 per mensem. Such emporia at Delhi, Calcutta, Madras and Bangalore were, however, being run departmentally.

In defence of the above arrangement at Bombay, the Committee were informed in evidence that there was no such Association at the other places and the arrangement in force was the best suited for Bombay. The Khadi Commission which has taken over the work from the Board has since executed a revised agreement with the Association, on 23-6-59 according to which the Association has agreed to associate two representatives of the Commission with the management of the Emporium. The Committee understand that the Association is also running an independent business of its own and trust that the representatives of the Commission on the Board of the Emporium will ensure that the Commission's interests are fully safeguarded.

The losses in running the various emporia caused the Committee some concern. *They feel that the Commission should reduce expenditure on the staff and push up the sales in order to reduce the losses. They desire to be informed of the various steps taken by the Commission to cut down the losses.*

18. Referring to the increase in the price and sale of *Khadi*, the Committee desired to know how far it had resulted in increased wages to spinners and employment of more people. The Chairman of the Khadi Commission agreed to send a note about the ratio of expenditure on administration as compared to the amount paid to the spinners of *Khadi* and whether with the rise in the price and sale of *Khadi*, wages of spinners and their number had risen correspondingly. *The note is still awaited.*

Loans for the development of traditional khadi—Para 22-B, page 20.

19. The Khadi Board was allotted funds aggregating Rs. 5,52,94,000 during the years 1953 to 1957 for granting loans, repayable within one year (and interest free from 1st April, 1955) to various private institutions engaged in the development of *khadi*. The total net amount of loans advanced to various institutions as on 31st March,

1957, was about Rs. 4·83 crores. Receipt of audited statements of accounts and utilisation certificates, as prescribed by Government, was awaited from a large number of loanee institutions. Formal loan agreements with a number of such institutions were still to be executed.

In evidence, the Committee were informed that Government had decided the rate of interest to be charged for advances to the Commission. Out of the advance of Rs. 4·83 crores, loan deeds for Rs. 3·13 lakhs had been executed by the institutions. The Chairman, Khadi Commission, admitted that for lack of proper planning on the part of the loanee institutions, the advances could not be utilised by them within the stipulated time. As for receipt of utilisation certificates, he observed that the bottleneck was in regard to loans through the State Boards.

The Committee of 1958-59 had also expressed concern at the unsatisfactory state of affairs prevailing before the Commission was set up in 1957. *The irregularities referred to in para 22-C of the Audit Report, 1959 indicate that the position had not improved since. It might perhaps be too early to evaluate the progress of the Commission. The Committee, however, would like to point out that if the funds earmarked in pursuance of the policy of development of traditional khadi are to be well-spent, the financial procedure to be followed by the Commission needs tightening up. The Committee trust that the Commission will address itself to this matter. It is the responsibility of Government (who are accountable to Parliament) to assist and clothe the Commission, if necessary, with greater powers for dealing with Statutory State Boards.*

Grant No. 2—Industries

- (i) *Development of Handloom Industry, page 17, Note 10(3) Group head A-2 (1956-57 Accounts, Vol. II) and.*
- (ii) *Silk Industries, page 17, Note 8, sub-head A. I(4) (1957-58 Accounts, Vol. II).*

20. The certificates of utilisation of the grants-in-aid paid for the years 1954-55 to 1957-58 in the former case and for the years 1955-56 to 1957-58 in the latter case had not been furnished to Audit.

In evidence, the Committee were informed that in order to ensure that the grants-in-aid were utilised economically and for the intended purposes by the States and other bodies, a procedure was being devised in consultation with the representatives of the States, Ministry of Finance and Comptroller and Auditor General. It is

needless to point out that more expeditious action is necessary as the grants paid in some cases were five years old.

COIR BOARD ADMINISTRATION

Appropriation Accounts 1956-57—Vol. II

Measures for promoting sale and increasing consumption of coir and coir products in India, page 20, note 21(ii) (a)—(d).

21. At the Industries Fair Exhibition in Delhi, a stall was constructed at a cost of Rs. 10,500 and a further expenditure of Rs. 4,452-8-0 was incurred on its decoration, etc. for displaying coir products in India. The structure was dismantled after the Fair and disposed of through Government auctioneers in March, 1956 for Rs. 50 only. A sum of Rs. 40 after deduction of commission of Rs. 10 was realised from the auctioneers after a long delay.

A sum of Rs. 1,500 was advanced by a Government Department on behalf of the Coir Board without security to a Guide on 8-11-1955 for the purchase of iron stands for the display of coir mats. Two iron stands were supplied by him in June, 1956, six months after the close of the Fair. The Committee were informed that the stands were actually made use of elsewhere.

The Coir Board incurred an expenditure of about Rs. 15,000/- on the printing of a brochure in connection with the Fair through a private printer without inviting competitive tenders. It was stated that before accepting the rates offered by the selected printer, quotations were invited from different printers and the lowest of the rates was alone allowed. An expenditure of Rs. 559 was incurred towards the printing of an *erratum* of a single figure in that brochure. Obviously the error could have been corrected by using a rubber stamp.

The Committee felt that the above irregularities indicated that the working of the Board was not quite satisfactory. The Secretary, Ministry of Commerce and Industry agreed to look into them and devise suitable remedial measures. *The Committee would like to be apprised of the results of the enquiry and the remedial measures taken.*

Loss and infructuous expenditure due to delay in the disposal of exhibits, Grants No. 4, 1957-58 Accounts, Vol. II, Page 70, note 3.

22. Seven boxes of handicraft goods worth about Rs. 20,890 sent to an Indian Mission in February, 1954, for sale in an exhibition abroad were not cleared from the docks as they were received too late to be

exhibited, but were kept under customs bond in a warehouse. The freight charges (including packing, etc.) amounted to Rs. 1,760. A portion of the goods worth Rs. 1,164 was sold to a private dealer on 29-8-1955 at a discount of 10%, but a decision regarding the disposal of the balance was taken only in October, 1956 i.e., after about 2½ years. The goods were thereafter cleared, on payment of customs duty amounting to Rs. 1,440 and allowed to be sold at prices up to 50% below their original value in view of their deteriorated condition. Apart from this loss, which could not be worked out due to non-finalisation of accounts by the Mission (in spite of repeated requests) an expenditure of about Rs. 5,600 on rent and insurance of the goods had been incurred during their storage in the customs warehouse.

The Committee would like to be furnished with a note stating the reasons for (a) not taking the delivery of goods and keeping them in the warehouse; (b) inordinate delay in taking a decision regarding disposal of the goods and (c) whether the accounts have since been finalised and if so, the total loss involved in this case.

Fees for deposits and registration of trade marks, Grant No. 5, 1957-58 Accounts, Vol. II, page 79, note 5—Group-head A. 2—Registrar of Trade Marks.

23. The receipts on account of fees for Deposits and Registration of Trade Marks realised during the year amounted to Rs. 4,96,993 against which the total expenditure under Group-head A. 2 was Rs. 8,40,523. *In this connection the Committee would invite the Ministry's attention to their note (Appendix LXXVI, Volume II, Seventh Report, Second Lok Sabha) wherein it was inter alia stated that it was proposed to amalgamate the Trade Marks Registry and the Patent Office and would like to know whether this has since been done.*

NAHAN FOUNDRY LIMITED

Loans and Advances—Para 50 of Audit Report, 1958—page 53.

24. A loan of Rs. 4 lakhs was advanced by the Government in July/November, 1952 for which the Foundry was to issue debenture stock carrying interest at the rate of 4½ per cent per annum in favour of the President. It was, however, decided in August, 1957, to treat this amount as a repayable loan. A further loan of Rs. 3.5 lakhs was taken from the Government in July, 1953 to meet the working expenses. The Foundry had since suggested to Government that the

loan of Rs. 7·5 lakhs be converted into share capital, as such conversion would save the Foundry from paying the interest charges thereon and enable it to show better working results.

The Committee felt that there was already over-capitalisation in the accounts of the Foundry. In this connection they referred to their earlier recommendation in para 33 of their 18th Report (Second Lok Sabha) that the capital structure of the Foundry needed reconstruction by suitably writing down the value of the assets. *In these circumstances, the Committee consider that further capitalisation would not be prudent. They would like to be informed of the final decision in the matter.*

Goods on consignment lying unsold for a long time—Para 54 of Audit Report, 1959—page 52.

25. Goods valuing Rs. 24,020 sent to various departments of State Governments and to certain agents on consignment basis remained unsold on 31st March, 1957. Out of these, goods worth Rs. 19,610 for which even the certificates of balances had not been obtained, had been lying with the consignees since 15th March, 1952 onwards. It was reported to Audit on 8th May, 1959 that steps were being taken to take back the goods or to recover their cost from the parties concerned.

The Committee are concerned that the large quantities of goods are with the consignees for such a long time. *They desire that the Foundry should take action either to get back the goods or to recover their cost from the parties concerned without any more loss of time.* Such accumulation of goods for a long time with consignees without prompt settlement will not only result in locking up of funds but lead to loss by the deterioration of stores.

Large outstandings under loans and advances—Para 54 of Audit Report, 1959, page 52.

26. A sum of Rs. 65,031 due to the Foundry from a Co-operative Organisation in Uttar Pradesh on account of goods supplied to it about two or three years ago, had not been paid in spite of instructions issued to the Organisation by the Uttar Pradesh Government. Further, for debts amounting to Rs. 5,47,201 due from private parties, arbitration awards for Rs. 1,02,976 had been obtained by the Foundry and filed with the concerned Courts for obtaining decrees but only a sum of Rs. 4,855 had been recovered till March, 1958. A provision of Rs. 5,000 on account of bad and doubtful debts had been made in

the accounts for 1957-58 making a total provision of Rs. 36,150 upto that date.

The Committee were informed that a large portion of these outstandings was recoverable from the persons to whom the crushers had been given on hire. Most of these outstandings had since been realised and the balance outstanding was Rs. 2.77 lakhs. A sum of Rs. 24,000 had also been collected from the Co-op rative Organisation and the Foundry was hopeful of realising the balance also. As for dues amounting to Rs. 7,000/- from persons now living in Pakistan, it was admitted that a part thereof might have to be written off.

The Committee trust that effective steps will be taken by the Foundry to bring down the outstandings. They would also suggest that the Foundry should make a realistic assessment of its outstandings with a view to writing off the irrecoverable debts so as to present a true statement of accounts.

SINDRI FERTILISERS AND CHEMICALS (P) LTD.

Rated capacity not achieved according to the original estimates—para 51 of Audit Report, 1958—page 53.

27. The factory was designed to have a rated capacity of 960 tons of Ammonium Sulphate per day with the use of seven compressors, with an additional one as a standby. The original cost of the plant and machinery was Rs. 12,04,11,500. A further sum of Rs. 25 lakhs was spent on certain modifications of the plant to correct imbalance in production. Despite the additional expenditure and the use of all the 8 compressors, the daily outturn of the factory was only 906 tons against the rated capacity of 960 tons. An additional expenditure of Rs. 50 lakhs was sanctioned in March, 1955 for the installation of a ninth compressor and certain other improvements to achieve a rated capacity of one thousand tons per day. The ninth compressor has been commissioned since August, 1956. The total expenditure incurred on the modifications of the plant upto the end of February, 1959 amounted to Rs. 51,29,607. Some of the modifications were, however, still stated to be under way. Though an average daily outturn of 910 tons was achieved in 1957-58, the daily average production had gone down to 904 tons in 1958-59.

It was urged before the Committee that considerable time was taken in the beginning to overcome certain operational difficulties in the grinding section of the Gypsum plant and in the filtration of the Sulphate and Ammonia Plants. The time during which the machine had to be kept idle for the purpose of servicing was in practice more

than allowed for. The factory had not been able to get good quality Gypsum (90 to 92% pure) and coke of the quality the plant was designed to use.

28. The representative of the Ministry, however, could not give any satisfactory reply as to why there was the decrease in production of ammonium sulphate from 1957-58 onwards and why there was a variation in its monthly production. At the instance of the Committee, the Ministry furnished to them a note in this regard. (Appendix II).

While the Committee appreciate the difficulties faced by the factory in the initial stages, they are disappointed to see that even after installation of the ninth compressor the production has not increased. They are concerned over the setback in production since 1957-58. *They, therefore, urge that effective measures be taken to step up production with a view to early achievement of the rated capacity.*

Extra expenditure incurred in the construction of electric repair and instrument shop building—para 51 of Audit Report, 1958, pages 54-55.

29. The Company decided on the 18th November, 1953, to construct a two-storeyed building at an estimated cost of Rs. 1,90,000 for locating the Electrical Repair and Instrument Shops in the ground and first floor respectively and tenders for its construction were invited on the 5th November, 1953 in anticipation of the Managing Director's sanction, which was obtained on the 7th January, 1954. It was, however, decided on the 11th February, 1954 not to locate the Instrument Shop in the first floor on the ground that delicate instruments should be kept away from the vibrations of a regular Workshop. Accordingly, the ground floor only was built to house the Repair Shop. Again, on the 24th February, 1955 it was decided to add the first floor for the Instrument Shop, and also to make provision for housing the drawing office, photostat room, record room, etc. The construction of building in two stages resulted in an extra expenditure of Rs. 31,000. It was urged in extenuation that the changes in the decisions for the location of the Electrical Repairs and Instruments Shops were the result of divergent technical advice. *The Committee trust that such cases will not recur.*

Extra expenditure on the purchase of coal for the Coke Ovens—para 53 (i) of Audit Report, 1959—pages 49-50.

30. The Coke Ovens at Sindri consume annually about 3.85 lakh tons of selected 'A' grade and selected 'B' grade of coal obtaining from nearby collieries.

Upto March, 1957, the tender notices and the purchase orders provided that payments for the supplies would be made on the results of quality analyses carried out by the Company with regard to ash and moisture content.

All but two of the collieries accepted payment on the basis of the analysis reports of the Company. These two collieries refused to accept payment according to this formula on the ground that the quality of coal actually supplied by them conformed, according to their information, to the specifications of selected 'A' Grade as laid down by the Company, and that under the Colliery Control Order they were entitled to receive the full controlled rates of coal mined at their collieries without any abatement. They also threatened to suspend despatches if payment was not made according to the invoiced price based on the Colliery Control Order. The Company conceded on 2nd August, 1955 the claims of these two collieries with retrospective effect from December, 1954 (when the collieries started supplying coal to the Company) though the results of the quality analysis, carried out by the Company, indicated that the supplies made were of a grade lower than invoiced for. No reference was made on this point of dispute to the Coal Commissioner.

According to bulletin No. 17, dated February, 1954 issued by the Coal Commissioner, irrespective of the grading given to a colliery by the Coal Commissioner, it was the actual quality of coal despatched that should matter; if a colliery graded as selected 'A' despatched coal to a consumer who found on analysis that it was really Grade 'B' coal, the consumer would be justified and within the law if he paid the price for Grade 'B' coal only. The above bulletin also conceded that a contract stipulation that the consumer would get the coal analysed in such manner as might be agreed upon and pay the price according to the grade in which the coal was found on analysis to fall, would be a fully legal condition.

Disregarding the provisions of Bulletin No. 17 the Company ordered in May, 1957 that the payment to all the coal suppliers would be made on the Coal Controller's* grading. Thus, the purchase orders issued from the beginning of the financial year 1957-58 did not contain any stipulation to the effect that payment would be on the results of analysis.

A test audit of the accounts of the coal purchases made by the Company for its Coke Ovens for two months in 1957-58 revealed excess payments to the extent of Rs. 47,300 and Rs. 57,300 respectively

* From February, 1956 a Coal Board under the Chairmanship of a Coal Controller was made responsible for grading the collieries. This function was hitherto exercisable by the Coal Commissioner.

to the various collieries for the supplies of lower grade of coal, as calculated from the results of analyses made by the Company.

31. It was conceded before the Committee that there was an omission on the part of the Company in not taking up the matter with the Coal Commissioner or later with the Coal Controller. It was, however, urged in extenuation that faced with the threat of stoppage of supplies of coal, the Company had no choice left at that juncture.

The Committee could, however, find no justification as to why the Company omitted from the purchase orders issued from the beginning of the financial year 1957-58 the stipulation to the effect that payment would be made on the basis of the results of the analysis carried out by the Company, when the Company was within its rights to make such a provision in accordance with the Coal Commissioner's bulletin No. 17 referred to above. They were informed that the matter was now proposed to be discussed with the Coal Controller and the suppliers of the coal so as to arrive at a satisfactory arrangement. *They would like to be informed about the final settlement reached in this matter.*

Shortage of coke—para 53 (ii) of Audit Report, 1959—page 50--

32. The stock of coke produced at the Coke Oven plant showed shortages (representing the difference between the tonnage of coke as per book balance and tonnage as per ground balance) valued at Rs. 3-4 lakhs every year during the three years ending 1956-57. The percentage of shortage varied from 4.65 to 3.47. In 1953-54 when coke was obtained from outside sources, the percentage was only .02. It was explained by the Management that the coke production figures were calculated by test weighing the daily production of ovens at specified intervals and so any error in the test weighment would result in a faulty estimate of total annual production of all the ovens and that the correct weight could only be ascertained when a mechanical contrivance like a belt weigher was installed.

The Committee understand that a belt weigher installed for the weighment of coal was not working satisfactorily and, therefore, the question of installing the belt weigher for coke was still under consideration.

The Committee need hardly emphasise the importance of accurate estimation of the production of the factory which is essential both for proper control over cost and production and avoidance of waste. They trust that a satisfactory arrangement will be made expeditiously so as to avoid such shortages and their effects on production costs.

Payment of heavy demurrage charges—para 53 (iii) of Audit Report, 1959, page 51.

33. Demurrage charges to the extent of Rs. 93,858 and Rs. 3,02,344 were paid to the Railways during 1956-57 and 1957-58 respectively. The Company had explained to Audit that every effort was being made to avoid demurrage but it was not possible to eliminate such charges altogether when mechanical tipplers went out of commission. It has, however, been pointed out by Audit that the increase in demurrage charges was attributable to the unloading in single shift only on two days as against two shifts on other days in a week and delay in unloading because of shortage of accommodation for storage of unloaded goods.

The Committee were informed that the large demurrage in 1957-58 was occasioned by the decision to stock-pile gypsum in order to avoid a situation which arose in 1956 when the gypsum stocks were completely exhausted. At one stage the existing gypsum storage building was completely filled up and the material unloaded from the tippler had to be stored elsewhere or sent direct to the plant. A certain amount of demurrage was, therefore, inevitable. Further, a large number of wagons were also held up whenever the tippler went out of order. A second tippler had since been added and on account of the increase in the intake of power house coal, the unloading arrangements have been put on a satisfactory basis.

The Committee trust that the Company will ensure the unloading of wagons in time in future to avoid the payment of such demurrage charges.

Methanol Plant at Sindri on-the-spot study-visit.

34. During their on-the-spot study-visit to the Company during September, 1959, the Committee saw the Methanol plant at Sindri lying idle. This plant had been in operation at the well known factory of M/s B.A.S.F. at Oppau in Germany and was offered to India in 1951 as part of the German Reparations. Besides an expenditure of Rs. 7.5 lakhs on transportation of the plant the Company had spent so far Rs. 5.6 lakhs approximately on its maintenance. A fire occurred in the plant which was lying in open causing a loss of Rs. 1.17 lakhs. The replacement value at present day rates of the equipment damaged by fire was estimated to be about Rs. 10 lakhs. In reply to a question as to why the Company had not thought of utilising the plant so far, the Committee were informed:

that advice had been sought from a German consultant firm—the original makers of this plant—regarding its utilisation which was still awaited.

The Committee are distressed to note that although about eight years have already elapsed, no decision has yet been taken regarding the utilisation or the disposal of this plant, resulting in avoidable expenditure on its care and maintenance besides loss arising from its wear and tear and loss of interest on capital unnecessarily locked up. They trust that a decision will be taken without any further delay.

Ministry of Finance

(Department of Economic Affairs)

Audit Report (Civil), 1959—Part I

Extra expenditure incurred due to delay in the erection and installation of a silver refinery plant, para 20, pages 18-19.

35. On 27th June, 1956, an agreement was entered into by Government with a firm in India for the erection and installation of a silver refinery plant. The agreement provided for completion of the work within 14 months from the date of commencement of work i.e., by the end of November, 1957. But it was completed only in December, 1958 and its trial testing was in progress in February, 1959. Delay in the completion of work had resulted in an extra expenditure of Rs. 4,34,827 (February, 1959) which included an extra expenditure of Rs. 1,51,060 on the salaries, etc. of skilled personnel, which had not so far been regularised.

During an on-the-spot study made by the Committee in September, 1958, it was explained by the Master of the Project that the erection contract provided for the commencement of the erection work after the completion of the civil engineering works. Due to delay, however, it was decided to proceed with erection of the plant concurrently with the construction of civil works in expectation of their completion by a target date then given by the C.P.W.D. In evidence before the Committee, however, the representative of the C.P.W.D. denied that the delay in completion of Project was mainly due to delayed completion of civil works. In spite of the initial setbacks which were beyond the Department's control, the building was completed on 31st July, 1956, i.e., two months before the commencement of installation of the plan. Clarifying the position, the Ministry's representative stated that the delays referred to in the Audit

Report related to later period in the execution of some works which had been entrusted to an Indian firm and here there were delays, some unavoidable, on the part of the C.P.W.D. He cited the example of the erection of water tower where the difficulties could not be foreseen by the C.P.W.D.

The Committee find, however, that in spite of all the delays referred to above, the civil works were all completed in July, 1957. Even thereafter it took 17 months to erect and instal the plant against the stipulated period of 14 months in the contract. The Committee were informed by the Master of the Project that Government were considering the question of fixing responsibility for the extra expenditure involved due to delays. They would await the results of Government's examination of this matter.

36. This refinery was intended to extract silver from the Quaternary Alloy Coins in order to enable Government to return to U.S.A. 226 million ounces of silver obtained from them under the Lend Lease Agreement. As the repayment fell due on 28th April, 1957 and by that time the refinery was still in the process of erection, Government had discharged the bulk of this liability (122·2 million ounces) by handing over 245 million ounces in the Quaternary Alloy Coins. The purpose for which this project was conceived was not thus served by it. The Committee were informed that the extraction of silver from the remaining stocks of Quaternary Alloy Coins (255 million ounces) would keep the refinery busy for a period of five years only. The question regarding its alternative uses was under consideration.

The Committee understand that a proposal to convert it into a Copper Refinery is under examination. They would like to know the final decision of Government.

Appropriation Accounts (Civil), 1957-58 Vol. I—Grant No. 35—Mint.

Loss due to shortage of metal in a Mint, Note 6, pages 108-109.

37. In October, 1954, on receipt of certain information, physical verification of the stock of nickle brass at Alipore Mint was conducted and 1,57,001 tolas of the metal worth Rs. 6,454 were found short. The loss was finally written off by Government in January, 1959, on the ground that the responsibility for the shortage could not be squarely fixed on anyone.

It was explained to the Committee that investigation was carried out by very senior officers. But it had not been possible to fix individual responsibility. Since stock had not been verified for a very

long time, the possibility, that the shortage largely represented normal losses, could not be ruled out. Security measures had, however, been tightened up and the rules for checking of stores were being finalised in consultation with Audit. *The Committee trust that the rules for stock-checking and the security procedure will be so framed as to enable the authorities concerned to detect losses at an early stage and to fix responsibility therefor.*

DEPARTMENT OF REVENUE

Audit Report (Civil), 1958—Part I

Guarantees given by the Central Government, para 56, pages 76-77.

38. The total amount covered by the guarantees given by Government (excluding commitments for dividend and interest) came to Rs. 1,61,14,02,198 of which Rs. 90,71,70,200 related to guarantees on behalf of private industrial units. According to Audit, as these guarantees constituted a contingent liability on the revenues of India, it was desirable, if not necessary, to keep Parliament informed of the nature and amount of the guarantees given.

In evidence, the Secretary of the Ministry stated that Government were agreeable to place before Parliament a consolidated statement covering all such guarantees given in a particular year. *The Committee trust that this procedure will be implemented at an early date.*

Outstanding demands of income-tax revenue, para 57, pages 78-79.

39. Outstanding arrears of income tax on 1.4.1959 stood at Rs. 293.71 crores against Rs. 287.32 crores on 1-4-1958.

In evidence, the Committee were given to understand that effective arrears of income tax were less than the figures given above. But the position in regard to the collection of arrears was not satisfactory as Government faced difficulties arising out of a large number of writ petitions, alienation of their assets by the assesseees and dependence on Collectors in States who generally accorded priority to collection of State revenues. Government were thinking of framing a Central Revenue Recovery Act and of empowering Income Tax officers to collect the arrears.

The Committee desire that this matter should receive early consideration by Government in order that the rising trend of arrears is halted quickly. They would like to be informed about the measures introduced by Government to achieve that object.

DEPARTMENT OF EXPENDITURE

*Audit Report (Civil), 1958—Part I****Clearance of outstanding objections, para 59, pages 80-81.***

40. The total number of objections upto 31st March, 1957, outstanding in the books of the Audit offices and their money value were Rs. 1,33,483, and Rs. 78,87,10,150 respectively.

In evidence, the Committee were apprised of the revised procedure which would bring about an improvement in the situation. *In view of the assurance of the Ministry, they would like to watch the situation through future Audit Reports.*

Payment of advances by Government to Private Firms, Public Undertakings etc., para 46, Seventh Report (Second Lok Sabha).

41. While examining a case of drawal of money by an educational publishing house in advance of requirements, the Public Accounts Committee (1957-58) observed in para 46 of their Seventh Report (Second Lok Sabha) that "with a view to preventing recurrence of such cases involving advance payments to private firms, the Committee would suggest that the agreement should invariably contain a penalty clause providing for payment of liquidated damages by the defaulting firm by way of interest on the money advanced to it."

Referring to the above observations of the Committee, the Ministry of Finance (Defence) enquired whether it would be correct to presume that the above recommendation did not apply to Public Undertakings like H.A.L., B.E.L., I.A.C., A.I.I., etc. even though in the eyes of the law these undertakings were also private firms.

At their instance, the Committee were furnished with instances of advance payments made by the Government to the Public Undertakings referred to above. After examining the matter, the Committee feel that the advance payments to these Public Undertakings are intended to cover work orders or for procurement of stores for services to be rendered and as such are distinguishable from the category referred to above. The presumption of the Ministry of Finance (Defence) is, therefore, correct.

The Committee, however, notice that the practice followed in the matter of receipt of advances by Government Undertakings does not seem to be uniform. For instance, the Hindustan Shipyard Limited, Vishakhapatnam, does not receive advance payment from the indentors for ships as the indentors object to advance payment on the plea that their funds are locked up necessarily—the Shipyard

not being able to deliver the ships within the stipulated period. The Shipyard has to find the necessary funds, by no means small, by borrowing from the State Bank of India. But in the case of the Hindustan Aircraft Limited, Air India International, etc., the Ministry of Finance (Defence) seems to advance money at times in excess of requirements. The specific case the Committee have in mind is the reported payment of advance by Government to Messrs. Tata Incorporated, New York, agents of A.I.I. for the purchase and supply of spare parts for overhauling certain aircraft engines.

According to the report furnished by the Ministry in February 1959, against an advance of \$1,75,000 paid in 1958 (in three instalments of \$75,000, 50,000 and 50,000), the Indian Embassy had received adjustment claims to the extent of \$ 26,943.02 and adjustment claims of \$78,556.68 sent by Messrs. Tata Incorporated were awaited by the Embassy. Thus, adjustment claims for about \$70,000 were still awaited. It is obvious that advances (in hard currency) were sanctioned and paid to the company much in excess of its immediate actual requirements.

The Committee feel that there should be uniformity in regard to this matter of payment of advances to Public Undertakings. Secondly, when Government pay advances, they should see that such advances are restricted to the amounts actually required immediately and that advances are settled by the recipients periodically without delay.

Rehabilitation Finance Administration

General Financial Review—para 49 of Audit Report, 1958—pages 49—52.

42. The working of the Administration showed a profit of Rs. 77,286 during the year 1958 for the first time since its constitution in 1948. The net accumulated loss upto 31st December, 1958 was Rs. 167.49 lakhs.

The total amounts of debit balances against the loanees on account of principal and interest and the overdue amounts for the last three years were as follows:

Calendar Year	Amount outstanding (Rs. in lakhs)			Overdue amounts (Rs. in lakhs)		
	Principal	Interest	Total	Principal	Interest	Total
1956	9,05.73	1,27.67	10,33.40	3,56.47	94.59	4,51.46
1957	8,34.55	1,31.97	9,66.52	3,74.70	1,06.17	4,80.87
1958	7,43.76	1,31.25	8,75.01	4,03.24	1,12.06	5,15.30

The above figures disclosed that though the amounts of principal outstanding at the end of each year were gradually decreasing (since loans to West Pakistan refugees have been stopped and loans to East Pakistan refugees migrating after 31st March, 1958 were given only in exceptional cases), the overdue amounts of both principal and interest were on the increase.

It was admitted in evidence that the overdue amount was increasing and it was partly due to the delay in the adjustment of the outstandings by setting off the amounts due to the loanees out of the "Compensation Pool". The Committee were informed that a number of steps have been taken by the Administration to expedite the pace of recovery of dues including those which were overdue.

The Committee would like to watch the progress through subsequent Audit Reports.

Inadequate scrutiny of Essential Documents—para 49 of Audit Report, 1958, pages 50—52.

43. In para 76 of their 18th Report (Second Lok Sabha) the Committee expressed concern at the unbusinesslike manner in which the Rehabilitation Finance Administration was conducting its affairs and suggested that Government should look into it before it became too late. During the year under Report also the Committee came across two cases which indicated that the Administration continued to sanction loans without proper scrutiny of essential documents. In one case the Administration granted a further loan of Rs. 12,000 despite the adverse report from the Secretary, Commerce & Industries Department, West Bengal (who was also a member of the Rehabilitation Finance Administration and was asked to examine the affairs of the firm) and even when the firm had committed many irregularities in utilising the first loan.

The Committee are more than disturbed at this state of affairs. The Government should look into these cases with a view to toning up the Administration in order to obviate such occurrences.

Ministry of Health

Audit Report, 1958

Absence of coordination in Building Project of the All India Institute of Medical Sciences, Para 30 (D), pages 29-30.

44. The main construction of the building of the Institute was scheduled for commencement in 1954-55 and for completion by 1958-59.

This programme could not, however, be adhered to; the Building Committee approved the plan in June, 1955 and consultants were appointed only in 1956. The construction of the residential quarters for the staff, students and nurses, however, proceeded more or less according to schedule. By June, 1958, out of 856 residential quarters available for occupation, 586 were surplus to requirements, 468 quarters had been allotted to non-Institute employees and 118 remained vacant.

According to Audit it was explained that the delay in completion of the main building was due to the dual control of the architects and the C.P.W.D. on the execution of the Project. *The Committee felt that, in a project of this magnitude, a phased and coordinated programme of construction of the main building and the residential colony was very essential which, unfortunately, was not drawn up.* In evidence, it was urged before the Committee that the object was to provide residential accommodation to every member of the staff in the vicinity of the Institute, as and when he was appointed. If so, the Committee could not understand why the construction of residential quarters outstripped the requirements therefor. They inquired what steps were taken by the Ministry to ensure balanced progress of construction of the various buildings when the construction of the main building was subjected to heavy delays. *There was no satisfactory answer to this.*

45. The Committee understand from Audit that the loss to Government on account of rent etc. of vacant residential buildings could not be ascertained as the records showing the actual date of handing over of these buildings were not available with the Institute or the Central Public Works Department. *The Committee desire that the records should be traced and the amount of loss sustained by the Institute calculated and intimated to them.*

Property not handed over to the Institute—para 30 (E), page 30.

46. Buildings constructed by Government for the Institute at a cost of about Rs. 1.27 lakhs were not formally transferred to it even though it became a body corporate on 15th November, 1956. All the buildings, however, were being utilised by the Institute and treated as the property of the Institute with the exception of 142 buildings worth about Rs. 12 lakhs in respect of which Government passed orders that they would be treated as Government property until they were handed over to the Institute.

In evidence, the Committee enquired whether all the buildings constructed by Government for the Institute had since been handed over

to the Institute. The Secretary, Ministry of Health gave a figure which differed widely from the detailed information furnished by the Ministry at the instance of the Committee. *The Committee regret that the witness had not come fully prepared.*

Audit Report, 1959

Infructuous expenditure on hire of trucks—Para 28, pages 26-27.

47. A Department of the erstwhile Delhi State Government purchased two truck chassis at Rs. 14,250 each in March, 1954 through the Central Purchase Organisation to be used for the removal of refuse etc. from the colonies of Displaced Persons in Delhi. The construction of the truck bodies (estimated to cost Rs. 2,836 each) was entrusted to the above Organisation in August, 1954 but the work was completed only in February, 1956. The delay was stated to be due to non-fulfilment of certain formalities which had to be observed by the Central Purchase Organisation.

Meanwhile the Department incurred an expenditure of Rs. 12,045 on hire charges of two scavenging trucks at the rate of Rs. 900 p.m. each (excluding petrol) for the periods 1st February, 1955 to 31st May, 1955 and 26th April, 1955 to 18th February, 1956.

Further, although the Department was aware as early as in June, 1955 that it would require only one truck, no action was taken to counter-mand the order for the second truck body with the result that one completed truck remained idle till June, 1958, when it was made over to the Delhi Municipal Corporation for Rs. 12,377. The loss to the Department on this sale was Rs. 6,759.

48. In evidence, the Secretary, Ministry of Health, stated that this case occurred when Delhi was a Part 'C' State having a separate Government responsible to a duly-constituted Legislature of its own.

49. The Committee, however, find that bulk of the avoidable expenditure in the present case was due to delay in the completion of certain formalities by the Central Purchase Organisation which was responsible for having the truck bodies built. They understand from Audit that the formalities which were required to be completed were that the chassis were to be handed over by the Central Purchase Organisation to body-builders only on their signing an indemnity bond with a trust clause as advised by the Ministry of Law and that this had to be examined and sanction of competent authorities obtained before taking the final decision to place the order.

50. *The Committee are astonished to find that a job like the construction of two truck bodies which would not take a private truck*

owner more than a few weeks should have taken the Central Purchase Organisation a period exceeding a year and a half. Even after making due allowance for the completion of Government Departmental procedural formalities the delay was unconscionable. The Committee suggest that Government will be well-advised to review the procedure prescribed with a view to rid it of unnecessary and purposeless formalities.

Avoidable payment of interest charges—para 29, pages 27-28.

51. The erstwhile Delhi State Government acquired in January, 1950 for the extension of a hospital a piece of land standing in the Revenue records in the name of an evacuee. No compensation was awarded by the Land Acquisition Officer on the understanding that the land, being evacuee property, no compensation was assessable in accordance with the Inter-Dominion Agreement of July, 1949. Subsequently, it was decided by Government that the Land Acquisition Act should apply to evacuee properties also. On 14th April, 1953, an Indian national filed an application claiming the ownership of the land by virtue of a registered sale deed dated 12th June, 1946. Thereupon, in April, 1954, the Land Acquisition Officer gave a supplementary award for Rs. 2,12,728 comprising Rs. 1,68,832 as compensation and Rs. 43,896 on account of interest. The amount could not, however, be paid for want of provision of funds till September, 1957 when Government issued a revised sanction for Rs. 2,46,494 which included a sum of Rs. 77,662 as interest for the period from January, 1950 to September, 1957.

52. In evidence, the representative of the Ministry admitted that the case had been badly handled and the Government was put to unnecessary loss. Severe warning had been administered to two clerks who were responsible for the delay. The Delhi Administration had held that the Land Acquisition Officer was not to blame. *The Committee would like to be furnished with a note setting forth the considerations which weighed with the Delhi Administration in coming to the above conclusion.*

53. The Committee understand from Audit that, in spite of the fact that the claimant in this case had failed to fulfil his obligations under the Land Acquisition Act and the Punjab Land Revenue Act, viz. (i) to appear personally or through agent before the Collector and state the nature of his interests in the land and his claim for compensation and (ii) to get the revenue records corrected, according to legal opinion, his claim to interest charges had to be honoured. This points to a lacuna in the Act, the amendment to which was

stated to be under consideration of Government. *The Committee would like to be informed in due course of the final decision taken in the matter.*

Ministry of Irrigation and Power

Infructuous expenditure due to change in design—Audit Report (Civil), 1959—Part I—para 31, pages 29-30.

54. While commenting upon the abandonment in 1951 of the Navigation-cum-power Channel and the Subsidiary Dam of the Hirakud Dam Project, the Public Accounts Committee in para 43 of their 6th Report (First Lok Sabha) expressed the view that the original scheme of the Subsidiary Dam was technically and economically unsound. In a statement placed on the Table of the Lok Sabha, in December, 1953, it was, however, contended by the Administration that the scheme was technically sound and the expenditure incurred on the Subsidiary Dam could not be said to be nugatory as the work had only been postponed and not abandoned altogether.

When work on the scheme was resumed in 1956, a revised design was prepared which omitted the construction of the Subsidiary Dam altogether. Due to this change in design, out of expenditure of Rs. 37 lakhs already incurred on the Subsidiary Dam, at least an amount of Rs. 21.55 lakhs approximately (including an amount of Rs. 6.75 lakhs paid as compensation for trees, houses and tanks) spent on the embankment of the Subsidiary Dam had become wholly infructuous.

55. In justification of the abandonment of the Subsidiary Dam, it was stated in evidence that according to the original design of the Project the construction of the Subsidiary Dam was considered necessary as it was intended to complete the Power House at Chiplima before the main Dam at Hirakud was constructed. However, after the main Dam at Hirakud had been completed, the necessity for construction of the Subsidiary Dam at Chiplima disappeared. The then Chief Engineer, Hirakud Dam Project, submitted a revised design, omitting the Subsidiary Dam, which would save Rs. 167 lakhs to Government in construction costs. After considering the pros and cons of both the designs, Government came to the conclusion that the new design was more economical than the original one even after making an allowance for the infructuous expenditure of Rs. 22 lakhs.

The Committee feel that had the original design of the Project been prepared with more forethought, the infructuous expenditure of Rs. 22 lakhs could have been avoided.

Ministry of Rehabilitation

Irregular withdrawal of funds to avoid lapse of grant—para 34 of Audit Report, 1958, pages 34-35.

56. In December, 1956, a sum of Rs. 2.70 lakhs was sanctioned for payment during 1956-57 to a State Government for giving small loans to displaced persons having no compensation claims and living in urban areas. The amount was to be drawn as and when required for immediate payments. No money was, however, drawn by the State Government upto 21st March, 1957. A Directorate of the Central Government, which had in the meanwhile taken over the work from the State Government, was authorised on 21st March, 1957 to draw the full amount for disbursement upto 30th April, 1957 subject to refund of the unspent balance, if any, on that date. The amount was drawn on 31st March, 1957 (obviously to avoid lapse of the grant). A sum of Rs. 2,14,900 was spent during April, 1957 but the balance of Rs. 55,100 was not refunded to Government. On 8th May, 1957 Government issued a sanction allowing the Directorate to utilize the balance upto 15th May, 1957. A sum of Rs. 45,600 was disbursed upto that date and two sums viz., Rs. 4,000 and Rs. 5,500 comprising the balance were credited to Government on 18th June, 1957 and 7th September, 1957 respectively.

57. The Committee inquired why the Directorate was authorised to draw the full amount of Rs. 2.70 lakhs on the last day of the financial year in contravention of the financial rules when it could not be disbursed within the financial year. It was urged in extenuation that the Directorate was allowed to draw the amount for disbursement in the following year as the issue of the requisite sanction for the latter year would have taken some months and the Payment to the displaced persons would have been delayed. It was added that this course was adopted with the concurrence of the Ministry of Finance.

The Committee do not consider it proper on the part of the Ministry of Rehabilitation to have sanctioned the withdrawal of money on the last day of the financial year when it could not be disbursed within that year. If it was the intention of the Ministry to avoid delay in making payment to the displaced persons, the proper course was either to obtain a Vote on Account or draw an advance from the Contingency Fund. The Committee are disturbed that the Ministry of Finance whose duty it is to enforce financial regularity had erred in this case.

*Faridabad Development Board—Loss in the working of the Institute—
Para 35 of Audit Report, 1958 pages 35—37.*

58. The Faridabad Development Board advanced a sum of Rs. 24 lakhs to an 'Indian Co-operative Union', formed to organise Small Scale Industries, as loan during the period 1949 to 1952. The latter opened a Training Centre also. The Training Centre with its assets of Rs. 94,930 was taken over, in March, 1950 by the Board and re-named a Technical Institute. Subsequently from 1st October, 1952 it was treated as a Commercial Department.

The small-scale industrial factories started by the Union were also closed down in February, 1953 and were taken over by the Board. They were run for a time as 'Co-operative Industries' but were later merged with the Technical Institute in July, 1954. As the Institute was running at a heavy loss, the Textile and the other units were disposed of in January, 1955 and October, 1956 respectively. The final accounts of the Technical Institute showed a total loss of Rs. 26.20 lakhs as on 28th February, 1959.

According to Audit, the major reasons for the loss were that the factories were taken over in March, 1953 from the Co-operative Union at the book value without detailed examination, and without proper assessment of their condition, market value and future use. As an instance, timber valued at Rs. 54,902 of which timber worth Rs. 27,000 was scrap wood, was taken over by the Board at the flat rate of Rs. 13/- per maund while the market rate for scrap wood was Rs. 2/8/- per maund. (The timber which was stated to have been eaten away by white ants resulted in a loss of Rs. 40,008 in its disposal). Lack of proper development programme and delay in the disposal of the idle assets also resulted in deterioration of the assets. Neither proper accounts were maintained in the case of many factories, nor effective control exercised over them.

59. In evidence, the Committee were informed that no proper accounts were maintained by the Union till, 1953 and when the Board took over the factories, the accounts were in a chaotic condition. The Board had to reconstruct all these accounts for the different units which took considerable time.

In reply to further question it was stated that no security was taken from the Co-operative Union for the sum advanced by the Board, nor was there any representative of Government or of the Board on the Union. It is, therefore, obvious that the mismanagement by the Union could not be detected in time. In the end when the Board took over the administration, the Union was allowed to walk out without any financial loss. No enquiry was also held for

ascertaining the reasons for the heavy losses suffered by the Union with a view to fixing its share of responsibility therefor.

60. *The Committee consider it a serious lapse on the part of the Ministry. They learn that the Union is existing and is working for Government in certain other spheres. The Committee, therefore, urge that an enquiry into this case should be started without any further delay and the responsibility for the losses fixed.*

The Committee would also like the Ministry of Finance to 'impress upon all the Ministries that before granting loans or grants-in-aid etc. to private institutions, they should ensure that those institutions have the experience and managerial ability to carry out the purposes assigned to them, and should also devise machinery to keep an effective and constant check to see that the money is utilised fruitfully and applied to the purposes intended.

Outstanding arrears of rent in respect of evacuee properties—para 32 of Audit Report, 1959, page 30.

61. Management of evacuee properties and collection of rent and accounting thereof were entrusted to Custodians appointed under the Administration of Evacuee Property Act, 1950. The Act provided that any sums due as rent, etc. to Government could be recovered as arrears of land revenue. Most of these properties were later on acquired by the Central Government under the Displaced Persons (Compensation and Rehabilitation) Act, 1954 and the Rules made thereunder, for the purpose of "compensation pool" and the remaining properties were still in the process of acquisition.

The accounts of these properties as on 31st March, 1959 showed that arrears of rent amounting to Rs. 584.82 lakhs were due for recovery from the various categories of occupants (including Government Departments and Government Servants) as detailed below:

Categories of occupant	In respect of acquired properties	In respect of un- acquired properties	Total
	(Rs. in lakhs)		
Government Departments	4.58	2.16	6.74
Government Servants	8.33	1.61	9.94
Non-displaced persons	86.62	60.62	147.24
Displaced persons	274.36	43.39	317.75
Widows and Destitutes	8.73	3.00	11.73
Untraceable	66.94	13.87	80.81
Uncategorised	6.76	3.85	10.61
TOTAL			584.82

62. The Committee find that the arrears due from displaced and non-displaced persons are very large. It was urged before them that according to a decision taken by Government any displaced person who was in possession of any allottable property below Rs. 10,000 in value was entitled to buy that property against his claims if he was a claimant and on payment in suitable instalments if he was a non-claimant. No rent was recoverable from the purchasers of these properties from 1st October, 1955 and, therefore, the arrears of rent from that date onwards will have to be written off after final adjustment of these properties in most of the cases as a majority of the displaced persons—both claimants and non-claimants—had expressed their desire to purchase these properties.

63. As regards arrears due from those who were untraceable, the Committee were informed that they might have to be written off and orders had been issued to expedite the writing off of these irrecoverable arrears.

As the target date (31st October, 1954) by which the claimant/non-claimant displaced occupants of allottable evacuee properties were required to file their applications for purchase has already expired, the Committee would suggest that expeditious action should now be taken to enforce recovery of outstanding rent from those occupants who have not expressed their willingness to purchase properties. The Committee also see no justification for non-recovery of arrears from Government servants and Government departments and also from occupants of non-allotable properties. Government should now take urgent and effective action to clear these large outstandings.

Overpayment of compensation to a Displaced Family—para 33 of Audit Report, 1959—pages 30-31.

64. Rule 19 of the Displaced Persons (Compensation and Rehabilitation) Rules 1955, as amended on 4th September, 1956, provided that the heirs of a deceased head of an undivided Hindu family were to be treated as an one-Member family for the payment of compensation. (They were treated as individual members of a joint family and could secure compensation at a higher scale before the amendment).

During the test audit of the compensation payments made in 1957-58, it was noticed by Audit that one of the six heirs of the head of an undivided Hindu family who died in 1948, was paid compensation in September, 1958 on the basis of higher scale admissible

under the rule as it stood prior to 4th September, 1956. This resulted in an extra payment of about Rs. 12,000 to the claimant. The cases of the remaining five heirs had not been finalised till June, 1959.

65. In evidence, the Committee were informed that as this case had been finalised before the amended rule came into force, the payment was made according to the old rule in consultation with the Ministry of Law. It was, however, pointed out by Audit that in a similar case (particulars furnished by Audit to Government) the Chief Settlement Commissioner had followed a different procedure.

The Committee feel that in such matters there should be uniformity in the application of the rule. They would like to be informed of the final decision of the Government in the matter.

MINISTRY OF STEEL, MINES & FUEL (DEPARTMENT OF IRON & STEEL)

HINDUSTAN STEEL (PRIVATE) LIMITED

Losses arising from delay in laying of railway tracks, unloading of wagons of Plant and Machinery—Para 53(b) of Audit Report, 1958, page 60.

66. In their final Project Report, submitted in October, 1955, the Consultants emphasised the need for giving priority to the laying of railway tracks, both inside and outside the Rourkela Plant area. The scheme visualised the laying of 60 miles of track, of which 22 miles were scheduled to be completed by December, 1956 and 40 miles by December, 1957. This schedule was subsequently revised in August, 1956 to provide for 7 miles by the end of December, 1956, and again revised in August, 1957 to provide for 25 miles by the end of December, 1957. Actually, however, only 3 miles of track were completed by December, 1956, and 18 miles up to the end of February, 1958. It is understood that 45·8 miles of track was laid upto the end of February 1959.

Due to delay in the laying of railway tracks and sidings in the Plant area, and for want of unloading equipment there were serious delays in clearance of wagons of plant and machinery which began to arrive in large quantity from Germany from October, 1957, with the result that the Railways, on several occasions, had to place restrictions on the booking of consignments from Calcutta to Rourkela.

Upto March, 1959, the Railways had preferred claims for Rs. 12·56 lakhs for the period from December 1956 to September 1958 for demurrage charges out of which a sum of Rs. 12 lakhs was paid to the Railways.

Moreover, the Company had to incur unnecessary and heavy expenditure on unloading the contents of wagons into a dump site and reloading and transporting them from the dump site to the storage sheds in the Plant area.

67. In evidence, the Committee could not get any satisfactory explanation for inordinate delay in the laying of railway tracks.

In the opinion of the Committee, the present case is indicative of both defective planning and bad execution. The original schedules for the construction of tracks were revised twice within less than two years, and the actual execution was far behind the revised schedules. It is needless to point out that targets should be laid down realistically, after making due allowance for all possible difficulties to be encountered in the process; once these have been laid down, every effort should be made to ensure that these are strictly adhered to. For, delay, irrespective of the reasons therefor, entails extra expenditure which in turn will push up the outlay on the Project and will be reflected in the price of the end-product. They trust that cases of such type will not recur in future.

Extra expenditure on the purchase of Electric shovels—Para 53 (c) of Audit Report, 1958, pages 60—62.

68. Tenders for 4 shovels required by the Hindustan Steel Ltd. for the Iron Ore Mines at Barsua, opened on the 25th March, 1957, showed that the lowest tender for the shovels was for Rs. 8,05,000 each, with the following delivery dates; first shovel ex-works U.K. by 9th November, 1957, the second one by December, 1957, and the third and fourth in June and July, 1958 respectively, subject to prior sale. The above quotation was technically acceptable and the delivery dates suitable, but no firm orders were placed on the tenderer. On the 8th July, 1957 the tenderer raised his price to Rs. 9,30,548 per shovel, but even then his price was the lowest acceptable.

On the 19th July, 1957 the Hindustan Steel Ltd. decided to purchase three shovels from the above tenderer at his revised rate and one from another tenderer—an American firm—at a price of Rs. 10,80,000 (subsequently reduced to Rs. 10,08,000). The latter firm had offered in its tender to ship the first shovel from the U.S.A. in September, 1957, the second in October, 1957 and the rest in March, 1958. The reason for the purchase of one shovel from the American firm at higher price was stated to be that one shovel was urgently required for site clearance work (which was found to be much behind schedule resulting in the company being unable to hand over the respective sites to the plant erection contractors).

The sanction of Government of India was applied for on 29th July, 1957 for the above purchases but meanwhile, on 31st July, 1957 the first tenderer intimated the Hindustan Steel Ltd. that the shovels had already been sold to the National Coal Development Corporation. Accordingly, the Government of India sanctioned on 4th September, 1957 the purchase of all the four shovels by the Hindustan Steel Ltd. from the other firm at a higher price, primarily on delivery considerations, after getting confirmation from the Company on 13th August, 1957, that one shovel was urgently required at the Iron Ore Mines apart from the one required urgently at Rourkela itself for site clearance. On the 22nd August, 1957 the Manager, Iron Ore Mines, however, intimated that the shovels were actually required by him only from April, 1959 onwards and that even the electricity required for working the shovels would not be available before that date. Despite this, in the formal purchase order issued on 29th November, 1957 to the second tenderer supply was demanded for first and second shovels on 31st March, 1958 and 30th April, 1958 respectively and the remaining two were to be delivered by 31st October, 1958.

69. *The Committee are unhappy over the manner in which the whole transaction was conducted by the Hindustan Steel Ltd. If the lowest tender for four shovels opened on the 25th March, 1957 was technically acceptable to the Company and the delivery dates also suitable, the Committee fail to see why there was such inordinate delay in placing the order which resulted in the Company having to pay about Rs. 2 lakhs more per shovel. There was no satisfactory explanation for this.*

70. *The Committee were also not convinced by the plea of urgency put forth in support of the decision taken by the Company on the 19th July, 1957 to purchase the shovels inasmuch as the first shovel was commissioned only in July, 1958 and the next in January, 1959.*

In their opinion, there was an unnecessary competition between the two State Undertakings for the purchase of the shovels which was taken advantage of by the suppliers. It was argued before the Committee that as either of the two State Undertakings had to purchase the shovels from the second tenderer, there being no other offer, there was no over-all loss to Government.

The Committee are unable to subscribe to this view. They feel that as only one shovel was urgently required at Rourkela, both the Undertakings could have coordinated their requirements and distributed between them equitably the four shovels available at a

lower price instead of competing with each other. The two Undertakings are under the supervision of the same Ministry, viz., the Ministry of Steel, Mines & Fuel, though under two Departments thereof. The Secretary of the Ministry is a Member of the Boards of Management of both the Undertakings. Further, they had a common Financial Adviser. In the circumstances, the Committee consider that there was an omission on the part of both the Ministry and the Financial Adviser. To prevent such cases in future, the Committee suggest that Government should evolve a procedure by which coordination can be secured in the matter of purchase of at least common or similar equipment by the various State Undertakings so that the purchase can be to the best advantage of the State.

Delay in the completion of Blast Furnace—Para 53(d) of Audit Report, 1958—pages 62—64.

71. The contract for the civil engineering work for the Blast Furnace and Steel Melting Shop at Rourkela was awarded on 2nd February, 1957 to an Indian firm not only because of its lower tender (by about Rs. 25 lakhs) but also on the consideration that it undertook to put into use extra plant and machinery to increase its capacity to enable it to strictly observe the prescribed time-schedule. The firm was to work under the supervision of the foreign Blast Furnace contractor who was to be paid a sum of Rs. 22.20 lakhs for preparing the designs for, and supervising the work on, civil engineering items.

The Indian firm, however, could not obtain sufficient plant and machinery to increase its capacity to complete the work according to the time-schedule with the result that the work fell into serious arrears. In order to expedite the progress of the work, and to bring it into line with the time-schedule of the foreign contractor, the Hindustan Steel Ltd. had to render the following assistance to the Indian contractor:—

- (i) A delegation consisting of senior officers of Government and of the Company as also the Indian contractor was sent to Germany to settle the new time-schedule with the foreign Blast Furnace Contractor. The time schedule ultimately settled by the delegation was spread over a longer period (six months more in some cases) than that which the Indian firm and the foreign contractor were originally prepared to abide by and which was not initially acceptable to the company.
- (ii) 36 workers consisting of 16 foremen and 20 skilled carpenters each costing more than Rs. 3,000 per month

(free of Indian Income-tax) were obtained from Germany through the foreign Blast Furnace contractor at the expense of the Company (but the total cost not to exceed Rs. 10 lacs). These German workmen were to be provided with air-conditioned accomodation and othe amenities involving an expenditure of more than Rs. 1 lakh in the aggregate. In addition, the foreign contractor was to get an amount of Rs. 5.75 lacs (2,00,000 in DM plus Rs. 3.50 lacs) to cover the expenses incurred by him in sending the workmen to India.

- (iii) The Indian firm was given an extra Rs. 13 lacs for shuttering work with the stipulation that the used wood would be handed over to the Company after the work was completed. (It was stated that the rate quoted by the firm in its tender for this type of work was inadequate).
- (iv) Four Tower Cranes were to be provided by the Company for the use of the Indian firm and for these and other machinery letters of credit to the extent of £51,000 (Rs. 6,80,000) were opened by the Company in U.K. in favour of the Indian contractor.
- (v) A sum of Rs. 1.30 lakhs was advanced in cash to the Indian contractor for obtaining certain materials urgently from the U.K.

The financial effect of the above concessions was a total extra expenditure of Rs. 30 lakhs approximately to the Company. Thus the difference of Rs. 25.50 lakhs, between the lowest and the next higher tenderer who could do this work, was more than wiped out. In spite of the above concessions, the blast furnace which was expected to be completed by 1st October 1958 as per the original time-schedule and by 20th December, 1958 as per the revised schedule was ready only on 3rd February, 1959. This resulted in considerable loss of production of pig iron.

72. Explaining the reasons which led Government to accept the lower offer despite the fact that the contractor had no previous experience of this work and there were adverse reports about his past performance. [vide paras 97-98 of the 23rd Report of the Estimates Committee (Second Lok Sabha)], the Secretary, Ministry of Steel, Mines & Fuel stated that both the contractors who tendered were new to this work and this contractor was chosen as his quotation was lower.

In reply to a question, it was admitted that the Technical Consultants of the Hindustan Steel Ltd. initially advised the Company

to accept the higher tender. But Government had to weigh all considerations in coming to a decision.

73. *In the face of the above facts the Committee consider that the choice of the firm for doing this work was unfortunate. Subsequent events proved that this tender had been prepared without full knowledge of the nature of the work to be done. He failed to put into use extra plant and machinery as per the terms of the contract. The work had, therefore, fallen into serious arrears to overtake which the Company had to provide extra concessions to the contractor not envisaged in the contract. In extenuation, it was urged before the Committee that circumstanced as it was at that moment, the Company had no other course to follow. The Committee are not convinced by this plea. For even granting that there were errors in the initial stages, it is not clear to them why the Company should have gone out of its way to foot the bill for the extra concessions provided to the Contractor. In the Committee's opinion, the contractor should legitimately bear the additional expenditure on this account.*

74. As regards the extra payment of Rs. 13 lakhs made to the contractor for shuttering work, the Committee were informed that the additional shuttering work could not be foreseen at the time of calling for tenders and had not therefore been envisaged in the contract. The Committee inquired why the additional work was not provided for in the original estimates prepared by the Technical Consultants who were expected to be conversant with all the details of the work. The Committee were assured that a note would be furnished. *The note is still awaited.*

75. The Committee also desired to know as to what the reasons were for paying such a high rate as over Rs. 3,000 p.m. (free of Income-tax) to foreign carpenters, and also whether it was a fact that the contractor was able to procure the services of similar carpenters from abroad at a much lower rate. The representative of the Ministry agreed to verify and supply the information later.

The Committee regret that though nearly five months have elapsed since the above information was promised to be furnished, it is still awaited. They would, in this connection, like to point out that as a result of such delays not only the programme of the Committee is dislocated but also with the lapse of time the criticisms and suggestions in respect of some of the vitally important issues lose much of their force.

Contract for the Foundations and Civil Engineering work for the Rolling Mills—Para 53(g) of Audit Report, 1958, pages 65—67.

76. Tenders were invited on 16th April, 1957 for preparing the foundation and civil engineering work, estimated to cost over Rs. 6 crores in the Hot and Cold Rolling Mills. In the tender notice, the work was divided into three sections and the contractors were asked to tender for the work either in part or in whole. A list of the construction machinery and equipment which could be had on hire from the Company, if available, was also included in the tender notice. Sixteen months were allowed for the completion of the work either in part or as a whole, as per tender.

Five tenders—three for part work and two for the entire work—were received. Three contractors, who quoted for part work, did not quote for all the three sections and one of the two tenderers, who quoted for the entire work, did not agree to sharing the work with other contractors. In view of this and other difficulties in co-ordinating the work of three contractors, the idea of dividing the work was given up, especially since the Company was not in a position to assist the contractors tendering for part work with the particular equipment required by them. The two tenders received for the entire work were not also found acceptable for the following reasons:—

- (i) The lower tenderer had no previous experience and his equipment and organisation were inadequate.
- (ii) The higher tenderer did not have sufficient equipment and was engaged on the construction of Durgapur Steel Plant. Further the price quoted by him (Rs. 8.1 crores) was subject to increases on various accounts, and provision of certain facilities and extension of time for completion upto 29 months.

All the above contracts were based on item rates but the basis was changed and a cost contract, with a target sum plus fixed overheads plus a fixed fee (costing in all Rs. 7.79 crores) was actually entered into by negotiation in November, 1957 with a new firm which had not tendered at all on the earlier occasion. The contract with this firm also provided for variations of the target price under certain conditions and a period of 36 months was allowed for completion of the work. This firm consisted of two partners, one of whom (holding a 60 per cent share) was himself a consultant to the Company.

The contract with this firm apart from its being a “cost” contract embodied, *inter alia*, the following unusual feature. Hire charges

amounting to Rs. 50 lakhs plus Rs. 10 lakhs for spares and Rs. 15 lakhs for labour and supervision of repairs (i.e., about Rs. 75 lakhs in all) were to be paid by the Company on account of machinery employed by the firm, estimated to be worth about Rs. 60 lakhs. Some of the machinery had already been used considerably at Kandla but the hire rate was paid on the basis of the original purchase price without taking into account the actual period of useful life already spent at Kandla or elsewhere.

77. In justification of the payment of hire charges amounting to Rs. 50 lakhs for the depreciated machinery originally costing about Rs. 60 lakhs, it was stated that as it could not have been possible for the Company to purchase all the required machinery in time, the decision to hire the machinery was taken. *The Committee endorse the views of the Estimates Committee expressed in para 107 of their 33rd Report (Second Lok Sabha) that purchase of the machinery would have been to the advantage of the Company.*

78. *The Committee consider that it was wrong in principle to award the contract to one of the parties which had prepared the designs and were responsible for supervision. According to Audit, in accordance with the Company's understanding with the Consortium of Consultants, neither the firms constituting the Consortium nor their officials were to have any kind of interest either in the supply of machinery and equipment or in the construction work in India. If so, the present contract was not in consonance with the spirit of the Company's agreement with the Consultants. It was stated in defence that the firm in question on joining the contracting firm as a partner resigned from the Consortium of Consultants. Although this had removed the disability on the firm, the Hindustan Steel Ltd. was deprived of the services of a technically competent firm of consultants for the work that still remained to be done.*

79. The Committee inquired why fresh tenders were not invited for the contract when its basis was changed (from the 'item rates' basis to the 'cost and target' basis) and the period for its completion was extended from 16 months to 36 months. They were informed that it would have involved a loss of 4-5 months in the process.

The Committee could not accept this explanation as valid inasmuch as almost the same time was spent in carrying out negotiations with this firm and concluding the final contract with it. Audit has pointed out that after the rejection of all the Indian tenderers, the Company did not make it known that in case suitable

Indian contractors formed a Consortium (as recommended by the German Combine), they would be considered for awarding the contract on similar terms and conditions as were negotiated with the new firm. Commenting on this, the Secretary, Ministry of Steel, Mines & Fuel observed in evidence that firms|contractors who had experience of this work had already been engaged. The Estimates Committee, on the other hand, have observed in para 119 of their 33rd Report (Second Lok Sabha) that according to non-official opinion there was really no such dearth but certain procedures and practices adopted by Government had kept out good and reputable firms of civil engineering contractors. *It is not known whether Government surveyed and took stock of the civil engineering capacity that could be pressed into service before embarking on the three Steel Plants in the public sector almost simultaneously. Such a survey would have enabled Government to plan the three plants more systematically and thus to avoid both the delay in construction schedules and the increased costs.*

Ministry of Works, Housing and Supply

Unauthorised alteration in specification—Para 42 of Audit Report, 1958, Page 43.

30. An agreement for road work entered into with a contractor in April, 1953 included, an item of light chipping carpet using 6 lbs of bitumen per cft of grit. The first payment for this item of work was made in the 4th running account bill (in June 1953) in accordance with the approved specification, but in the subsequent bills the bitumen used was shown as 5 lbs per cubic ft. of grit without any corresponding reduction in the rate. The Executive Engineer concerned stated that he made the change in specification before inviting tenders for the work and made the corrections in the agreement and other documents. A departmental investigation established on the other hand that the alterations in the documents were made some time between the 4th and 5th running Bills and that they were unauthorised and caused an overpayment of Rs. 16,000 to the contractor. It is understood from Audit that the overpayment has since been recovered from the contractor.

In evidence, the Committee were informed that a detailed enquiry was conducted into this case by a senior officer of the Ministry of W.H.&S., which disclosed that six officers had been found guilty of altering Government records, and that suitable action was being taken against them. *The Committee feel that such cases deserve deterrent punishment.*

Delay in adjustment of a contractor's accounts—para 43 of Audit Report, 1958, pages 43-44.

81. A contractor having commenced construction of 22 sets of quarters in January 1945 at the tendered cost of Rs. 12·66 lakhs abandoned it unfinished in August, 1945. Till then he had received payment of Rs. 10·11 lakhs on running bills and had also got large quantities of cement, steel and timber the cost of which had not been adjusted in the payments made to him.

The remaining work was got completed in June, 1946 by the sub-contractors to whom the work had already been sub-let by the main contractor. After making necessary adjustments defaulter had rendered himself liable to pay to Government liquidated damages and the cost of the stores supplied to him, amounting to Rs. 4,08,278. The case was referred to arbitration in November, 1957 and a decision was still awaited.

It was explained in evidence before the Committee that the work was done in war-time when, due to several difficulties, it was not possible to enforce the rules strictly. The contractor's account was not made up properly in respect of materials issued to him and the officers who were responsible for this had since gone over to another country. The case came to the notice of the Ministry only in 1952 after which the question of settling the account with the contractor was taken up. While Government had a claim against the contractor for a sum of Rs. 4·08 lakhs, the contractor had put in a counter-claim of Rs. 3,67,925 by way of higher rates for certain items of work done by him. The case was now pending in a court which was examining the Government's contention that the contractor's claim was time-barred.

While the Committee recognise the difficulties in settling this case in its earlier stages, they find no justification for the subsequent delay of about 10 years. In their opinion had the Divisional and the Superintending Engineers, who succeeded the migrated officers, looked into the contractors' ledgers carefully (which, the Committee understand, is one of their prescribed duties), the case would have come to light much earlier and settled at least by now. The Committee consider that due and prompt action should be taken in all cases where delay in settling the accounts of a contractor comes to notice. They would also like to be informed about the final outcome of the present case and the action which Government propose to take against the officers for lack of proper supervision.

Chief Technical Examiner's Organisation—Para 44 of Audit Report 1958—pp. 44-46 and Para 51 of Audit Report, 1959—pp. 46-48.

82. Following suggestions made by the Public Accounts Committee, Government decided in May, 1957 to introduce the system of concurrent administrative and technical review of P.W. transactions by an expert Chief Technical Examiner. The paragraphs in the Audit Reports referred to above enumerated the various irregularities etc. pointed out by the C.T.E. in the reports submitted by him during the period July, 1957 to 31st December, 1958.

In evidence, the C.T.E. informed the Committee that in about 75% of the cases reviewed by him he was able to discover either major or minor defects. As far as possible, the defects pointed out by the C.T.E. were got rectified before the completion of the works but in cases where due to the advanced stage of construction the defects could not be remedied, an assessment of the overpayment was made and passed on to the Departments for effecting recoveries from the contractors. During the two years of his existence the C.T.E. had assessed such overpayments to the extent of Rs. 19 lakhs out of which items amounting to Rs. 8 lakhs had been accepted for recovery from the contractors. Explaining the procedure the C.T.E. informed the Committee that initially he communicated his objections to the Executive Engineer concerned and in cases of disagreement at that level he approached authorities at the higher levels step by step. Thus cases of overpayments worth Rs. 11 lakhs were still under correspondence.

It is needless to point out that the value of the work done by the C.T.E. will depend very much on the speed with which final decision is taken on his reports. *The Committee consider the procedure at present followed as dilatory. At this rate much of the time of the C.T.E. is likely to be consumed in pursuing his objections which will reduce his attention to fresh cases. The Committee would suggest that once the C.T.E. has communicated his objections it should be for the Departments concerned to obtain the views of the highest authorities at their end in cases of disagreement before communicating the same to the C.T.E. A time limit should also be fixed for this to ensure expeditious action.*

83. The Committee are concerned to learn from the C.T.E. that technical defects were found in about 70% of the cases and overpayments in about 30% of the cases examined by him. This indicates that in majority of cases both the standard of construction

and standard of supervision are far from satisfactory. *The Committee are, therefore, strongly of the opinion that the C.T.E. should extend his scrutiny to a larger number of P.W. transactions.*

84. One of the irregularities pointed out in the Audit Report 1958 was the acceptance of unworkable tenders. In one case, for a work estimated to cost about Rs. 1,11,040 Government awarded the contract at the tendered amount of Rs. 73,554 while the approximate cost of the material issued and recoverable from the contractor plus roller hire charges amounted to Rs. 76,560. Technical examination of the work disclosed excess issue of bitumen and non-return of empty drums etc. for which a sum of Rs. 26,144 was recoverable. It is obvious that either the cost of the work had been overestimated in the first instance by the Department or it was a mistake on its part to accept the tender. The Committee desired to know how the work was completed—whether by the same contractor—and if so the final cost involved thereon. *This information is still awaited.*

Unproductive expenditure—Para 45 of Audit Report 1958—page 47.

85. In May, 1943 Government took over for war purposes portions of a Jute Mill compound along with some adjoining plots of land, at an annual rent of Rs. 1,500 and constructed thereon certain temporary structures. The land became surplus to requirements in 1951 but was released only in January, 1957. This delay involved an expenditure on land rent of Rs. 9,136 upto 31st March, 1957. Government also paid a compensation of Rs. 24,113 to the owner for not restoring the land to its original condition.

In evidence, the D.G.S. & D. gave the following reasons for the delay involved in this case:

(i) Demarcation of the lands was completed only in December, 1952, as the Land Acquisition Collector had to obtain old records.

(ii) Efforts made by the Department to sell the structures built on the land to the Municipality were fruitless.

(iii) Negotiations with the land owners regarding the quantum of compensation payable to them for restoring the land to its original condition took time. The Jute Mill demanded Rs. 90,000 by way of compensation but was successfully persuaded to accept a lower amount of Rs. 24,113 only.

(iv) Eviction of refugees from a part of the land which they had occupied unauthorisedly became difficult.

The Committee think that six years' time for releasing the land was too excessive.

Infructuous expenditure—Para 46 of Audit Report, 1958—page 47.

86. In April, 1948, on the closure of a labour camp materials worth Rs. 19,828 were found unserviceable. A survey report was prepared in 1949 but was subsequently misplaced. A fresh survey report was prepared in February, 1952. It was sanctioned in September, 1954 by the competent authority after two years and a half. The materials were auctioned in January, 1955 for Rs. 260 only. Meanwhile, the department also incurred expenditure on watch and ward amounting to Rs. 12,331 between June, 1950 and January, 1955.

In evidence, it was admitted before the Committee that this case was not handled properly at different stages resulting in delay in the disposal of stores. The survey report, which was prepared in 1949, was submitted to the Superintending Engineer, who returned it with certain comments. Thereafter, the report was not traceable. No enquiry was, however, instituted into either the loss of the survey report or the delay of 2½ years in sanctioning the second Survey Report.

The Committee were surprised to learn this. *In their opinion the Ministry should enquire into this case and rectify defects if any, in the procedure. If, on the other hand, the enquiry revealed personal lapses, suitable disciplinary action should be taken.*

Avoidable expenditure on the disposal of furniture—Para 47 of Audit Report, 1958—Pages 47-48.

87. Furniture of the book value of Rs. 1,98,446 manufactured in 1942-43 and used in offices and Government quarters during the war was issued again to certain Government residential buildings. When Government decided to demolish these buildings the surplus furniture valued at Rs. 1,59,378 was withdrawn between August, 1955 and December, 1956. The articles were stored in an open C.P.W.D. yard in April, 1957 and later transferred to a shed in July, 1957 entailing an expenditure of Rs. 4,655 on shifting. A further expenditure of Rs. 1,432 was incurred on storage upto August, 1957 when the major part of the furniture was auctioned for a sum of Rs. 8,728. The remaining unserviceable furniture (of the book value of Rs. 39,086) was handed over to Government Housing Factory in March, 1958.

The Committee regret to observe that this is another case where infructuous expenditure was incurred by Government due to avoidable delay in the disposal of unserviceable material. Once the

furniture was declared unserviceable there appeared to be no justification for its being kept in storage for more than a year. Much of the expenditure could have been avoided had prompt action been taken by the officials connected with the disposal of stores.

Loss due to belated release of requisitioned land—Para 48 of Audit Report, 1958—page 43.

88. Certain plots of land requisitioned by Government in 1943 for defence purposes on a rent of Rs. 2,171 per month were proposed in January, 1949 for derequisition. But meanwhile, as the Ministry of W.H. & S. was also considering a proposal to construct clerks' quarters in that locality the final decision to derequisition the land was taken in October 1949. The derequisition order in the case of one main landlord was issued only on 1st February, 1950. The plots were eventually released and possession restored to the various owners on different dates between 3rd February, 1950 and 1st January, 1952. The main landlord was paid a sum of Rs. 1,72,489 by way of compensation for loss of rent and other damages. Government were also put to a loss of Rs. 29,400 on account of rent and Rs. 10,000 on account of restoration charges for the period February, 1949 to December, 1951.

In evidence, the Committee were informed that the time-lag between the decision to derequisition the land in February, 1949 and its actual restoration to the owners by January, 1952 was due to (i) enquiries made about the rightful owners of the plots of land and (ii) eviction of refugees from a part of the land which they had occupied unauthorisedly, which took some time. It was, however, admitted that there was some delay in handling the case.

The Committee would point out that both in the process of acquiring land and restoring it to its owners, there has been considerable delay resulting in avoidable expenditure of large sums. They are firmly of the view that with a little advance planning, the procedural delays can be curtailed and the exchequer saved of unnecessary expenditure.

From the records before them it appeared to the Committee that the land remained unutilised with the Defence authorities since its acquisition in 1943 till 1949. The Secretary to the Ministry of W.H.&S., however, informed them that the area was occupied by the Army Transport Company and certain temporary structures had also been built thereon by the C.P.W.D. on behalf of the Transport Company. The structures were later demolished by the landlord and a sum of Rs. 5,000 was recovered from him by Government.

towards the cost of dismantled materials. The Committee asked the representative of the Ministry of Defence to furnish a note stating the purpose for which the land was requisitioned in 1943 and how it was actually utilised. *They regret that the note is still awaited.*

Loss of revenue due to defective planning of works—Para 40 of Audit Report, 1959—page 37.

89. Certain residential units built by the C.P.W.D. at a station remained vacant for long periods owing to delay in the provision of ancillary services like sanitary installations, water supply and electricity supply arrangements. In some cases the buildings were not handed over to the agency responsible for their allotment even after the essential services had been provided. The Audit Report quoted three instances of such delays. In one case the buildings were complete in all respects (including sanitary installations) by May, 1955 but were actually handed over to the authorities for occupation in December, 1956 after 18 months.

In evidence, it was explained before the Committee that the time-lag between completion of the buildings and their allotment was due to work on certain items, like provision of external services (laying of sewerage, water supply lines, supply of electric connections, etc.) which were taken up only after the buildings were ready. To a certain extent the Department had to depend on the municipal authorities for the execution of these works. The Committee were not convinced by this explanation. *In their opinion, the instances quoted in the Audit Report indicated lack of proper planning on the part of the C.P.W.D. They did not see any reasons why the work on external services could not be started simultaneously with the construction of the buildings as would be done by any private builder. The witness informed the Committee that instructions had since been issued to take up both types of work simultaneously.*

The Committee trust that these instructions will be implemented in actual practice. The Ministry should also take appropriate steps to ensure better co-ordination between the C.P.W.D. and the municipal authorities in the matter of provision of ancillaries.

Irregular sale of Government material—para 41 of Audit Report 1959—page 39.

90. In May, 1951, a C.P.W. Division acquired 86·9 tons of mild steel sheets from Disposals at Rs. 90/6/6 per ton (i.e. 20% of the authorised price) on the condition that the material would not be resold within two years. Nevertheless, 79·878 tons of sheets,

which were initially hired out to three contractors, were sold in 1952 to them at Rs. 120 per ton. The controlled price for new sheets at the time was Rs. 463·79 nP. The loss on the sale to contractors was thus in the neighbourhood of Rs. 30,000.

It was stated before the Committee that the steel sheets were given on hire to the contractors by the Executive Engineer in the first instance and later sold to them under the orders of the Board of Governors of the Indian Institute of Technology, an autonomous body. Efforts were now being made to recover a further amount from the contractors concerned towards the cost of the steel sheets.

The Committee fail to understand how the Executive Engineer could act on the instructions of the Institute to sell material which belonged to the C.P.W.D. *In their opinion, the responsibility for having sold the material disregarding the conditions imposed by the Disposals Directorate lay squarely on the C.P.W.D. They would like to be informed of the recoveries made from the contractors.*

Loss due to non-observance of rules—para 43 of Audit Report, 1959—pages 40-41.

91. A Central Purchase Organisation placed an order on a firm for the supply of stores, which involved an extra payment of Rs. 32,850 (as compared with the lowest acceptable offer) to ensure earlier delivery. The contract included a special penalty clause stating that in case of failure to supply the stores by 31st March, 1955, the contractor would be liable to refund to Government the difference between the contract rate and that of the lowest acceptable offer but the firm while acknowledging receipt of the contract on 10th March, 1955, expressed disagreement with this provision and invited a reference to its letter dated the 23rd February, 1955 accepting the date of delivery with certain reservations. The firm failed to supply the stores by the stipulated date but no penalty could be imposed in view of the fact that the Purchase Organisation had failed to get a prior assurance from the firm regarding earlier delivery by a definite date while agreeing to the higher price.

In evidence, the D.G.S. & D. stated that the price preference clause in the contract could not be legally enforced in this case and it was not realistic as the clause specified the price quoted by a firm with which Government had suspended dealings. The Committee are surprised how the officer failed to take note of the letter of 10th March, 1955, from the firm and "allowed his zeal

to outrun his discretion". Government will be well advised to issue strict instructions to all purchase officers to examine the legal implications of ad hoc provisions/clauses before incorporating them in contracts.

Irregular payment of sales tax—para 44 of Audit Report, 1959—p. 41.

92. Four contracts were placed by the D.G.S. & D. on two firms during March-April 1948 for the supply of cables for the P. & T. Department. The tenders did not specifically indicate payment of sales tax to the tenderers in addition to the price of stores. Provision for the tax was, however, made in two contracts *suo moto* by the Purchase Officer while in the other two it was made later at the instance of the suppliers. The provision for the payment of sales tax in all the four contracts was, however, cancelled subsequently on 22nd October, 1949 and 3rd November, 1949 when it came to the notice of the Purchase Officer that such unstipulated payment of sales tax was not in conformity with the provisions of the Law or Departmental instructions. The suppliers, however, did not agree to this and an amount of Rs. 47,971 had to be ultimately paid to them.

In the opinion of the Committee the action of the Purchase Officer in allowing the sales tax to the contractors suo moto was questionable and deserved more severe action than the communication of an oral warning.

Avoidable payment to a contractor—para 45 of Audit Report, 1959—pp. 41-42.

93. In April, 1946, a contract was entered into for constructing a building at a cost of Rs. 4,68,437 to be completed by December, 1945. This date was later extended to 31st May, 1948. As the contractor could complete the building only in February, 1950, a penalty of Rs. 11,700 was recovered from him for failure to complete the work within the extended date. The contractor filed a suit in May, 1953 in a High Court for payment of a further sum of Rs. 4.33 lakhs on account of (i) increase in the cost of construction due to rise in market prices of materials and wages (Rs. 3,58,241) (ii) value of materials looted by rioters and stolen (Rs. 32,881) and (iii) extra items of work done by him (Rs. 42,000). The High Court appointed an arbitrator in April 1954 who awarded in July 1956 a sum of Rs. 60,000 and 6,000 respectively in favour of the contractor on his first and third claims rejecting the second. The Department received a notice from the High Court on 24th December, 1956 that the judgment on the award would be pronounced on 28th January, 1957. That Department consulted the

Ministry of Law on 23rd January, 1957. The Ministry of Law advised on 24th January, 1957 that while the award of Rs. 6,000 in respect of the third item could not be questioned the payment of Rs. 60,000 against the first item was not consistent with the terms of the contract and an objection should be filed in respect thereof in the Law Court. The objection could not be filed as the last date for making such an application (23rd January, 1957) had expired. As a result of this delay Government had to pay a sum of Rs. 60,000 together with interest of Rs. 198 to the contractors.

It was admitted before the Committee that the delay was due to negligence on the part of the staff of the Executive Engineer's Office who had been censured on this account. The question of fixing responsibility on the Superintending Engineer and the Executive Engineer concerned for not taking prompt action in this case was under examination of Government. *The Committee would like to be informed of the decision reached in this case.*

94. Disciplinary action apart, the Committee consider it their duty to draw attention to certain regrettable features of this case. According to estimates the building was to be completed within 8 months; the period was extended by 17 months and the contractor took nearly two years more to complete the work. It passes the comprehension of the Committee how the Department sanctioned an extension of 17 months when the work was according to original requirements to be completed within 8 months. It is obvious that the original estimate of 8 months for the completion of the work was too unrealistic. Secondly, by granting this extension and by allowing the contractor to take 2 more years, the Department had weakened its case before the arbitrator. *In the opinion of the Committee not only the cost of the work but also the time necessary to execute it should be estimated with reasonable accuracy and adhered to.*

Loss due to failure to follow the prescribed procedure—para 46 of Audit Report, 1959—pp. 42-43.

95. An order was placed on a firm by the D.G.S. & D. for the supply of five types of 'sheathed' cables. Eighteen days after the placing of contract the indenter intimated that two of the five types were not required. The Purchase Organisation accordingly cancelled the orders for the two types without obtaining prior consent of the supplying firm which protested against the cancellation and claimed Rs. 45,000, as compensation. The case went to

arbitration and the arbitrator awarded a sum- of Rs. 6,039 to the firm as compensation plus Rs. 350 as cost of legal proceedings. The Purchase Organisation also did not inform the indenter of the financial repercussions of the cancellation of the order. The latter stated in October, 1955 that had he been informed of the financial repercussions involved he would have made alternative arrangements to keep the contract alive.

The Committee were given to understand that Government were not satisfied with the arbitrator's award. In the light of the experience of similar cases, Government have revised the procedure for arbitration and reference of cases thereto. *The Committee, however, cannot overlook the omission to follow the prescribed procedure on the part of the Purchase Organisation which was responsible for the payment of compensation in this case.*

Loss due to failure to effect risk purchase within the prescribed period—para 47 of Audit Report, 1959—p. 43.

96. The D.G.S. & D. placed a contract with a firm for the supply of teak logs by the 1st February, 1954 which date was extended to 15th March, 1954. As a result of the inability expressed by the firm on 17th March, 1954 to execute the order, the contract was cancelled on the 6th September, 1954 at the risk and expense of the firm. Tenders were invited for repurchase in January, 1955 and a contract at an extra cost of Rs. 25,375 was placed on 24th March, 1955, that is, more than a year after the firm had expressed its inability to supply the logs. As the repurchase was not done within six months of the breach of contract only an amount of Rs. 8,500, being the difference between the contract price and the price prevailing near about the date of breach of the contract could be recovered and the balance of Rs. 16,875 was loss to Government.

It was admitted by the D.G.S. & D. that there had been a lapse on the part of the Assistant dealing with the case for which his 'grave displeasure' had been communicated to him. Further instructions had been issued for the maintenance of purchase registers by all purchase officers in respect of cases falling within their financial powers to keep them in touch with the day to day progress of the execution of orders. The Committee feel that such a step was long overdue. *They trust that Government will ensure that the registers are properly maintained by the purchase officers and an effective watch kept over the progress of execution of indents against the date of supply of the stores as specified by the indenter.*

Loss due to discrepancy between the terms of the tender enquiry and the contract—Para 48 of Audit Report, 1959— p. 43-44.

97. An overseas Mission issued in September, 1956 telegraphic tender enquiries for the supply of cargoes for foodgrains stipulating that "the vessels shall be free of discharge expenses" which meant that these expenses would be borne by the buyer and not by the supplier. The standard contract forms drawn up by the Mission provided that expenses on hire of cranes at the ports of discharge were to be borne by the suppliers. Four out of the five firms on whom orders were placed accepted the terms in the standard contract forms but one asked for the deletion of the provision relating to payment of crane hire charges. The Mission did not take any clarificatory action at this stage. Three of the five firms resisted payment of the hire charges in full and the fourth in part.

In evidence, the Secretary to the Ministry of Works, Housing and Supply informed the Committee that as a result of further negotiations they had been successful in recovering from the Shipping Companies about 79% of the entire discharge expenses (on crane hires etc.) incurred by the Government.

It was brought to the notice of the Committee by the C. & A. G. that at the initial stages when the case was taken up by his Department the India Supply Mission, after consultation with their Legal and Financial Advisers, had stated that no recoveries were due from the suppliers either on legal or moral grounds. It was only when the matter was pressed by Audit that the Mission took effective action to recover the expenses from the Companies. *The Committee trust that the India Supply Mission will be more vigilant in future in safeguarding Government's financial interests.*

Overpayment to oil companies—para 49 of Audit Report, 1959—pp. 44-45.

98. In September, 1950 a Central Purchase Organisation entered into a contract with a company for the supply of imported axle-oil which *inter alia* stipulated that the prices were based on the then prevailing rate of import duty and sea freight rates ruling on 8th June 1950, from USA to Calcutta and that an increase or decrease in these items would be to the buyer's account. The firm asked for an increase over the contract rates for supplies commencing from 1-3-51 and 20-9-51 on this account, which were readily accepted without due verification. On being pointed out by Audit in April, 1953 that the increased rates should have been made applicable only to the supplies made from stocks imported after the increase in the rates of customs duty/freight, Government decided in May, 1957 to recover

a sum of Rs. 2,23,210 from the Oil Company. The firm, however, took the matter to arbitration and filed counter-claims for Rs. 12 lakhs (approximately).

Similar price variation clause occurred in POL contracts with other Companies entered into during that period. The Purchase Organisation was conducting a review in order to ascertain whether any overpayments had occurred on these contracts.

The Committee feel that the matter is taking too long a time. They suggest that in such cases involving large financial repercussions, expedition is essential. They would like to be informed of the outcome of this case as well as the result of the review that is being conducted by the Department in respect of POL contracts.

*Avoidable extra expenditure incurred in purchase of Teak planks—
Para 52 of Audit Report, 1959—p. 48.*

99. A Central Purchase Organisation placed a contract on a firm for supply of teak planks by 30th April, 1951. The firm tendered the stores for inspection on 20th April, 1951 but the Inspector refused to carry out the inspection as he had received neither the advance acceptance of tender nor the contract copy. On 11th May, 1951 the Inspector called for a copy of the contract but actually got one on 16th June, (the original having been misdirected on 16-5-51). Meanwhile, the delivery period of the contract was extended upto 31st August, 1951 to which the firm's agreement had not been taken. When on 25th August, 1951, the Inspector advised the firm that he would undertake inspection of stores between 28th and 30th August 1951, the firm informed him on 28th August, 1951 that as the original delivery date had already expired on 30th April, 1951, and the materials were not inspected before that date, they were not prepared to offer material for inspection at that stage. The contract was cancelled on 19th January, 1952 in consultation with the Law Ministry without any financial repercussions on either side. Government repurchased the material on 16th May, 1952 from another firm at an extra cost of Rs. 24,700.

In evidence the Committee were informed that suitable action was being taken against the Section Officer for his failure to send an advance copy of the acceptance of tender to the Inspector concerned. *The Committee would like to be apprised of the action taken in this case.*

Para 63 of Audit Report (Civil), 1959—Delay in supply of purchase order files to Audit.

100. Under a mutually accepted procedure all selected "Purchase Order Files" of the Central Purchase Organisation have to be made

available for scrutiny by concurrent Audit staff within three days of their requisition. According to the Audit Report there has been great delay in complying with such requisitions or in answering the Audit queries relating to purchase orders. In some cases the purchase files have not been made available to Audit even after five to six years.

In evidence the D. G. S. & D. claimed that as a result of subsequent instructions issued, the position has considerably improved. From a note furnished to them later by the D.G.S. & D. the Committee, however, find that it was not so and the position is still far from satisfactory. *They would strongly urge that adequate and effective steps should be taken by Government to ensure that such delays are avoided.*

UPENDRANATH BARMAN,

Chairman,

Public Accounts Committee.

NEW DELHI;

The 22nd March 1960.

Caitra 2, 1882 (Saka).

APPENDIX I

Summary of the Conclusions/Recommendations

Serial No.	Para No.	Ministry or Department concerned	Conclusions/Recommendations
I	2	3	4
I	6 (Introduction)	All Ministries	<p>During the course of the examination of these Accounts and Audit Reports thereon, certain Ministries brought to the notice of the Committee certain information which had not been furnished to Audit in time and as such was not taken into account in finalisation of the relevant paragraphs in the Audit Reports. According to the existing procedure based on a recommendation by the Public Accounts Committee circulated by the Finance Department in 1946, the Ministries were given six weeks to verify the facts included in the draft Audit paragraph and in case the Ministries did not furnish the requisite information to Audit within this period, the paragraph as prepared by Audit on the facts placed before it was treated as final and included in the Audit Report. <i>Après</i> this recommendation in paragraph 37 of this First Report (First Lok Sabha), the Committee deprecate the tendency on the part of the Ministries to refute the facts embodied in the Audit Reports and trust that the Ministries will always make it a point to furnish the requisite information to Audit within the prescribed period of six weeks. If in exceptional cases it is not possible to do so the correct position be furnished to the Committee through Audit so as to enable them to arrive at proper conclusions.</p>

1	2	3	4
2.	2	Finance All Ministries	The large savings during 1956-57 and 1957-58 indicate over-budgeting and provision made prematurely for schemes.
3.	6 & 7	Domestic	The Committee feel that surrender of funds made towards the close of the year do not serve any purpose as these could not be diverted for other purposes at that stage.
			In both the years there were also cases where substantial portion of the supplementary grants or appropriations remained unutilised.
			There were also several cases of re-appropriation and modifications under individual sub-heads which turned out to be either excessive or unnecessary. All this indicates defective control over expenditure.
4.	9	Domestic	(i) The Comptroller and Auditor General has observed in his Report (1959) on the Accounts for 1957-58 that the utilisation of the appropriations by itself is not a test of the wisdom of the expenditure incurred. He has added that there had been cases in which projects and programmes once accepted were continued even when it became evident that their initial planning and location were faulty and that they would fail to fulfil largely the purposes for which they were undertaken. The Committee are inclined to endorse the above observations. In this connection they would draw attention to Silver Ring Project, Plot 11 for production of different types of paper, Establishment of a showroom-cum-Trade Centre in Geneva and Acquisition of premises for the Tourist Office in Paris.

(ii) The Committee attach great importance to the even flow of expenditure during the year as hasty results in waste.

(iii) It has been observed by the Comptroller & Auditor General that the first canon of financial propriety, viz. that those in control of public expenditure should exercise the same care and prudence as they do in regard to their personal expenditure was not "frequently disregarded". Considerable economies, more particularly in the major projects, could be effected if this salutary principle were scrupulously observed. The Committee trust that Government will bestow thought on these observations.

The Committee desire that the Ministry of External Affairs should in consultation with the Ministry of Defence and Audit evolve a suitable procedure to ensure that the debits in respect of supplies and services are adjusted in the accounts without delay.

The Committee desire that Government should ensure that in future provision in the budget is made with due regard to the capacity of the States concerned for implementing the projects.

The Committee feel that delays referred to by the Ministry can be easily avoided in future by settling the pattern of assistance in time.

The Committee feel that provision of such a large sum for a scheme without ascertaining whether it could be successfully implemented during the budget year was *prima facie* wrong.

External Affairs

Defence

Food & Agriculture

All Other Ministries

Health

Home Affairs

11(b)

11(c)

11(e)

11(f)

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- 9 11(g) Labour and Employment The Committee are surprised that in spite of such uncertainties, of which the Ministry were fully aware, provision was made so liberally.
- 10 11(h) S. R. & C.A. The Committee feel that if at the time of framing the budget for the projects only the outline of the plan had been approved, the proper course for the Ministry was either to make a 'token' provision in the budget or approach Parliament later for funds when the schemes had been worked out in detail.
- 11 14 Commerce & Industry In order to assess the benefits to the country by the opening of the show-room, the Committee desired to be furnished with a note indicating India's exports to Switzerland from 1953-54 to 1958-59; their break-up, especially of the goods exhibited in this show-room—but they regret to observe that this note is still awaited.
- 12 15 Do. In the course of their examination, the Committee were given to understand that the Indian Embassy did not approve of Geneva for the show-room and the Consul-General protested against the appointment of a new firm in preference to others already doing business in this line. The Secretary of the Ministry promised to look into this matter and inform the Committee. The information is still awaited. In these circumstances the Committee are led to the conclusion that this experiment in export promotion involving such a heavy outlay was ill-conceived and did not serve the purpose in view. They are not also very happy about the terms and conditions of transfer

of the building to the firm. In their opinion the terms were heavily weighted in favour of the firm. As a Departmental Committee was examining the question of compensation payable by the firm for the transfer of the building to it, the Committee would defer their comments till the recommendations of the Departmental Committee and the decision of Government thereon are made available to them.

As regards the godown at the free port of Geneva taken on a rent of Sw. Fr. 700 p.m. from 26th September, 1955 in view of the contemplated wholesale trade through the firm, the Committee regret to observe that it had not been put to full use so far although considerable expenditure had been incurred on its renovation and providing heating arrangements. Here again, the Committee learnt that the Indian Embassy in Switzerland was not in favour of Government retaining this godown. The matter was reported to be under active consideration by Government. The Committee suggest that the Ministry might examine the feasibility of using this godown as a central place for stocking goods intended for display at various exhibitions in Europe or America. This will save Government expenditure on transport of exhibits.

(i) The losses in running the various emporia caused the Committee some concern. They feel that the Khadi Commission should reduce expenditure on the staff and push up the sales in order to reduce the losses. They desire to be informed of the various steps taken by the Commission to cut down the losses.

(ii) A note *re.* the ratio of expenditure on administration of the Khadi Commission as compared to the amount paid to the spinners, etc., is still awaited.

Commerce and Industry

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Do.

17 & 18

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(iii) The Committee understand that the Association entrusted with the management of the Sales Emporium at the headquarters of the Industrial Advisory Board is also running an independent business of its own. They trust that the representatives of the Khadi Commission on the Board of the Emporium will ensure that the Commission's interests are fully safeguarded.

The Committee of 1958-59 had also expressed concern at the unsatisfactory state of affairs prevailing before the Commission was set up in 1957. It might perhaps be too early to evaluate the progress of the Commission. The Committee, however, would like to point out that if the findings made in pursuance of the policy of development of traditional *Khadi* are to be well-spent, the financial position to be followed by the Commission needs tightening up. The Committee trusts that the Commission will address itself to this matter. It is the responsibility of Government (who are accountable to Parliament) to assist and clothe the Commission, if necessary, with greater powers for dealing with statutory State Boards.

The Committee note that the grants paid in some cases were five years old. They consider that more expeditious action is necessary in order to ensure that the grants-in-aid were utilised economically and applied to the purposes intended.

The Committee felt that the various irregularities referred to in the Audit Report indicated that the working of the Coir Board was not quite satisfactory. The Secretary of the Ministry agreed to

Commerce & Industry

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look into them and devise suitable remedial measures. The Committee would like to be apprised of the results of the enquiry and the remedial measures taken.

The Committee would like to be furnished with a note stating the reasons for (a) not taking the delivery of goods and keeping them in the warehouse, (b) inordinate delay in taking a decision regarding the disposal of goods, and (c) whether the accounts have since been finalised and if so, the total loss involved in this case.

The Committee would invite the Ministry's attention to their note (Appendix LXXVI, Volume II, Seventh Report, Second Lok Sabha) wherein it was *inter alia* stated that it was proposed to amalgamate the Trade Marks Registry and the Patent Office and would like to know whether this has since been done.

The Committee consider that further capitalisation of the Foundry would not be prudent. They would like to be informed of the final decision in this matter.

The Committee are concerned that the large quantities of goods are with the consignees for such a long time. They desire that the Foundry should take action either to get back the goods or to recover their cost from the parties concerned without any more loss of time. Such accumulation of goods for a long time with consignees without prompt settlement will not only result in locking up of funds but lead to loss by the deterioration of stores.

The Committee trust that effective steps will be taken by the Foundry to bring down the outstanding loans and advances. They would also suggest that the Foundry should make a realistic assessment of its standings with a view to writing off the irrecoverable debts so as to present a true statement of accounts.

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Commerce & Industry

Sindri Fertilizers &
Chemicals Ltd.

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While the Committee appreciate the difficulties faced by the factory in the initial stages they are disappointed to see that even after installation of the ninth compressor the production has not increased. They are concerned over the setback in production since 1957-58. They therefore urge that effective measures be taken to step up production with a view to early achievement of the rated capacity.

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Commerce & Industry

S.F. & C.L.

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The Committee trust that the cases of the type mentioned in this paragraph would not recur.

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Do.

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The Committee could find no justification as to why the Company omitted from the purchase order for Collieries in the beginning of the financial year 1957-58 the stipulation to the effect that payment would be made on the basis of the results of the analysis carried out by the Company when the Company was within its rights to make such a provision in accordance with the Coal Commissioner's bulletin No. 17 referred to above. They were informed that the matter was now proposed to be discussed with the Coal Controller and the suppliers of coal so as to arrive at a satisfactory arrangement. They would like to be informed about the final settlement reached in this matter.

- 26 32 Do. The Committee need hardly emphasise the importance of accurate estimation of the production of the factory which is essential both for proper control over cost and production and avoidance of waste. They trust that a satisfactory arrangement will be made expeditiously so as to avoid such shortages and their effects on production costs.
- 27 33 Do. The Committee trust that the Company will ensure the unloading of wagons in time in future to avoid the payment of such demurrage charges.
- 28 34 Do. The Committee are distressed to note that although about eight years have already elapsed no decision has yet been taken regarding the utilisation or the disposal of the Metharol Plant at Sindri resulting in avoidable expenditure on its care and maintenance besides loss arising from its wear and tear and loss of interest on capital unnecessarily locked up. They trust that a decision will be taken without any further delay.
- 29 35 Finance—
(Deptt. of Economic Affairs). The Committee find that in spite of all the delays referred to in the report, the civil works were all completed in July, 1957. Even thereafter it took 17 months to erect and instal the plant against the stipulated period of 14 months in the contract. The Committee were informed by the Master of the Project that Government were considering the question of fixing responsibility for the extra expenditure involved due to delays. They would await the results of Government's examination of this matter.

30 Finance (Deptt. of
Economic Affairs)

The Committee understand that a proposal to convert the Silver Refinery into a Copper Refinery is under examination. They would like to know the final decision of Government.

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Do.

The Committee trust that the rules for stock-checking and the security procedure will be so framed as to enable the authorities concerned to detect losses at an early stage and to fix responsibility therefor.

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Do.
(Deptt. of Revenue)

The Committee trust that the decision to place before Parliament a consolidated statement covering all guarantees given in a particular year by the Government on behalf of private industrial units will be implemented at an early date.

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Do.

The Committee consider that the question of outstanding demands of income-tax revenue should receive early consideration by Government in order that the rising trend of arrears is halted quickly. They would like to be kept informed about the measures introduced by Government to achieve that object.

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Do.
(Deptt. of Expenditure)

In view of the assurances of the Ministry in the matter of clearance of outstanding objections, the Committee would like to watch the situation through future Audit Reports.

35	41	Finance ----- All Ministries.	The Committee feel that there should be uniformity in the matter of payment of advances to Public Undertakings. Secondly, when Government pay advances, they should see that such advances are restricted to the amounts actually required immediately and that advances are settled by the recipients periodically without delay.
36	42	Finance ----- Rehabilitation Finance Administration.	The Committee would like to watch the progress made in the recovery of outstanding loans granted by the Rehabilitation Finance Administration through subsequent audit Reports.
37	43	Do.	The Committee are more than disturbed at the manner in which loans were granted in the cases mentioned in this paragraph. The Government should look into the cases with a view to toning up the Administration in order to obviate such occurrences.
38	44	Health, W. H. & S.	The Committee felt that, in a project of the present magnitude, a phased and coordinated programme of construction of the main building and the residential colony was very essential which, unfortunately, was not drawn up. The Committee could not get a satisfactory answer to the question as to what steps were taken by the Ministry of Health to ensure balanced progress of construction of the various buildings when the construction of the main building was subjected to heavy delays.
39	45	Do.	The Committee understand that the loss to Government on account of rent, etc. of vacant residential buildings could not be ascertained

as the records showing the actual date of handing over of these buildings were not available with the Institute or the Central Public Works Department. The Committee desire that the records should be traced and the amount of loss sustained by the Institute calculated and intimated to them.

46 Health 46

In regard to the buildings constructed by Government for the Institute which had since been handed over to the Institute, the Secretary of the Ministry gave a figure which differed widely from the detailed information furnished by the Ministry at the instance of the Committee. The Committee regret that the witness had not come fully prepared.

47 Health, W.H. & S. 47

The Committee are astonished to find that a job like the construction of two truck bodies which would not take a private truck owner more than a few weeks should have taken the Central Purchase Organisation a period exceeding a year and a half. Even after making due allowance for the completion of Government Departmental procedural formalities, the delay was unconscionable. The Committee suggest that Government will be well-advised to review the procedure prescribed with a view to rid it of unnecessary and purposeless formalities.

42 Health 52

The Committee would like to be furnished with a rote setting forth the considerations which weighed with the Delhi Administration in coming to the conclusion that the Land Acquisition Officer was not to blame.

The Committee understand that, in spite of the fact that the claimant in this case had failed to fulfil his obligations under the Land Acquisition Act and the Punjab Land Revenue Act, according to legal opinion, his claim to interest charges had to be honoured. This points to a lacuna in the Act, the amendment to which was stated to be under consideration of Government. The Committee would like to be informed in due course of the final decision taken in the matter.

The Committee feel that had the original design of the Project been prepared with more forethought, the infructuous expenditure of Rs. 22 lakhs could have been avoided.

The Committee do not consider it proper on the part of the Ministry of Rehabilitation to have sanctioned the withdrawal of money on the last day of the financial year when it could not be disbursed within that year. If it was the intention of the Ministry to avoid delay in making payment to the displaced persons, the proper course was either to obtain a Vote on Account or draw an advance from the contingency Fund. The Committee are disturbed that the Ministry of Finance whose duty it is to enforce financial regularity, had erred in this case.

(i) The Committee consider the failure to hold an enquiry for ascertaining the reasons for the heavy losses suffered by the Indian Co-operative Union, a serious lapse on the part of the Ministry. They learn that the Union is existing and is working for Government in certain other spheres. The Committee, therefore, urge that an enquiry into this case should be started without any further delay and the responsibility for the losses fixed.

Health/Law.

Irrigation and Power

Rehabilitation/Finance

Rehabilitation

Rehabilitation/Finance
All other Ministries

(ii) The Committee would also like the Ministry of Finance to impress all the Ministries that before granting loans or grants-in-aid etc. to private institutions, they should ensure that those institutions have the experience and managerial ability to carry out the purposes assigned to them, and should also devise machinery to keep an effective and constant check to see that the money is utilised fruitfully and applied to the purposes intended.

47

Rehabilitation

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As the target date (31st October, 1959) by which the claimant/non-claimant displaced occupants of allotable evacuee properties were required to file their applications for purchase has already expired the Committee would suggest that expeditious action should now be taken to enforce recovery of outstanding rent from those occupants who have not expressed their willingness to purchase properties. The Committee also see no justification for non-recovery of arrears from Government servants and Government departments and also from occupants of non-allotable properties. Government should now take urgent and effective action to clear these large outstandings.

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Do.

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The Committee feel that there should be uniformity in the application of the rule in regard to payment of compensation to displaced persons. They would like to be informed of the final decision of Government in this matter.

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S.M. & F. (D-p't. of J
I & S)

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(i) In the opinion of the Committee, the present case is indicative of both defective planning and bad execution. The original

schedules for the construction of tracks were revised twice within less than two years, and the actual execution was far behind the revised schedules.

S. M. & F. (Deptt. of I & S)/All other Ministries.

(ii) It is needless to point out that targets should be laid down realistically, after making due allowance for all possible difficulties to be encountered in the process ; once these have been laid down, every effort should be made to ensure that these are strictly adhered to. For, delay, irrespective of the reasons therefor, entails extra expenditure which in turn will push up the outlay on the Project and will be reflected in the price of the end-product. They trust that cases of such type will not recur.

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S M. & F. (Deptt. of I & S)

69

The Committee are unhappy over the manner in which the whole transaction was conducted by the Hindustan Steel Ltd. If the lowest tender for four shovels opened on the 25th March, 1957 was technically acceptable to the Company and the delivery dates also suitable, the Committee fail to see why there was such inordinate delay in placing the order which resulted in the Company having to pay about Rs. 2 lakhs more per shovel.

51

Do.

70

(i) The Committee were not convinced by the plea of urgency put forth in support of the decision taken by the Company on the 19th July, 1957 to purchase the shovels in as much as the first shovel was commissioned only in July, 1958 and the next in January, 1959.

S.M. & F. (Deptts. of I & S and M. & F.)

(ii) In the opinion of the Committee, there was an unnecessary competition between the Hindustan Steel Ltd., and the National Coal Development Corporation for the purchase of the shovels which was taken advantage of by the suppliers.

S. M. & F.

Dep'ts. of I & S. and
M. & F.

(iii) The Committee are unable to subscribe to the view that as either of the two State Undertakings had to purchase the shovels from the second tenderer, there being no other offer, there was no overall loss to Government. They feel that as only one shovel was urgently required at Rourkela, both the Undertakings could have co-ordinated their requirements and distributed between them equitably the four shovels available at a lower price instead of competing with each.

Do.

(iv) As the two State Undertakings are under the supervision of the same Ministry and had a common Financial Adviser and further as the Secretary of Ministry is a Member of the Boards of Management of both the Undertakings, the Committee consider that there was an omission on the part of both the Ministry and the Financial Adviser.

Do.

All other Ministries.

(v) Two prevent such cases in future, the Committee suggest that Government should evolve a procedure by which co-ordination can be secured in the matter of purchase of at least common or similar equipment by the various State Undertakings so that the purchase can be to the best advantage of the State.

S. M. & F.

(Deptt. of I. & S.)

(i) The Committee consider that the choice of the firm for doing this work was unfortunate. Subsequent events proved that the tender had been prepared without full knowledge of the nature of the work to be done.

Do.

(ii) The Committee are not convinced by the plea that circumstanced as the Company was at that moment, it had no other course to follow but to provide extra concessions to the contractor. For even granting that there were errors in the initial stages, it is not clear to them why the Company should have gone out of its way to foot the bill for the extra concessions provided to the Contractor. In the Committee's opinion, the contractor should legitimately bear the additional expenditure on this account.

53

74

Do.

A note stating why the additional shuttering work was not provided for in the original estimates prepared by the Technical Consultants who were expected to be conversant with all the details of the work is still awaited.

54

75

Do

The Committee regret that though nearly five months have elapsed since a note *re* payment of high rate to foreign carpenters was promised to be furnished, it is still awaited. They would, in this connection, like to point out that as a result of such delays not only the programme of the Committee is dislocated but also with the lapse of time the criticisms and suggestions in respect of some of the vitally important issues lose much of their force.

All other Ministries.]

55

77

S. M. & F.

The Committee endorse the views of the Estimates Committee expressed in para 107 of their 33rd Report (Second Lok Sabha) that purchase of the machinery would have been to the advantage of the Company.

(Deptt. of I. & S.)

56

78

S. M. & F

(Deptt. of I. & S.)

The Committee consider that it was wrong in principle to award the contract to one of the parties which had prepared the designs and were responsible for supervision. They understand that in accordance with the Company's understanding with the Consortium of Consultants, neither the firms constituting the Consortium nor their officials were to have any kind of interest either in the supply of machinery and equipment or in the construction work in India. If so, the present contract was not in consonance with the spirit of the Company's agreement with the Consultants. Although the disability on the firm was removed with its resignation from the consortium of Consultants, the Hindustan Steel Ltd. was deprived of the services of a technically competent firm of consultants for the work that still remained to be done.

57

79

Do.

(i) The Committee could not accept the explanation that the invitation of fresh tenders would have involved a loss of 4—5 months in the process as valid inasmuch as almost the same time was spent in carrying out negotiations with this firm and concluding the final contract with it.

Do.

(ii) It is not known whether Government surveyed and took stock of the civil engineering capacity that could be pressed into service before embarking on the three Steel Plants in the public sector almost simultaneously. Such a survey would have enabled Government to plan the three plants more systematically and thus to avoid both the delay in construction schedules and the increased costs.

58	80	Works Housing and Supply.	The Committee feel that personal lapses disclosed in para 42 of Audit Report, 1958 (Unauthorised alteration in specification) deserve deterrent punishment.
59	81	Do.	The Committee consider that due and prompt action should be taken in all cases where delay in settling the accounts of a contractor comes to notice. They would also like to be informed about the final outcome of the present case and the action which Government propose to take against the officers for lack of proper supervision.
60	82	Do.	Once the Chief Technical Examiner has communicated his objections it should be for the Departments concerned to obtain the views of the highest authorities at their end in cases of disagreement before communicating the same to the C.T.E. Time-limit should also be fixed for this to ensure expeditious action.
61	83	Do.	The Committee are strongly of the opinion that the C.T.E. should extend his scrutiny to a larger number of P.W. transactions.
62	84	Do.	The Committee desired to know how the work estimated to cost Rs. 1,11,040 and accepted at the tendered amount (Rs. 73,554) was completed—whether by the same contractor and if so the final cost involved thereon.
63	85	Do.	The Committee think that six years time for releasing the land (Jure Mill Compounds) which became surplus to requirements in 1951, was too excessive.
64	86	Do.	The Ministry should enquire into the case of infructuous expenditure referred to in para 46 of Audit Report, 1958 and rectify defects if any in the procedure. If, on the other hand, the enquiry revealed personal lapses suitable disciplinary action should be taken.

65	87	Works, Housing and Supply	Once the furniture was declared unserviceable there appeared to be no justification for its being kept in storage for more than a year. Much of the expenditure could have been avoided had prompt action been taken by the officials connected with the disposal of stores.
66	88	Do.	(i) The Committee would point out that both in the process of acquiring land and restoring it to its owner there has been considerable delay resulting in avoidable expenditure of large sums. They are firmly of the view that with a little advance planning, the procedural delays can be curtailed and the exchequer saved of unnecessary expenditure.
		Defence	(ii) The Committee desired to be furnished with a note stating the purpose for which the land was requisitioned in 1943 and how it was actually utilised. They regret that the note is still awaited.
67	89	Works, Housing and Supply	The Committee trust that the instructions now issued by the Ministry to the effect that work on external services should be started simultaneously with the constructions of the buildings will be implemented in actual practice. The Ministry should also take appropriate steps to ensure better co-ordination between the C.P.W.D. and the municipal authorities in the matter of provision of ancillaries.
68	90	Do.	In the opinion of the Committee the responsibility for having sold the mild steel sheets disregarding the conditions imposed

by the Disposals Directorate lay squarely on the C.P.W.D. They would like to be informed of the recoveries made from the contractor.

Government will be well advised to issue strict instructions to all purchase officers to examine the legal implication of *ad hoc* provisions/clauses before incorporating them in contracts.

In the opinion of the Committee the action of the purchase officer in allowing the sales tax to the contractors *suo moto* was questionable and deserved more severe action than the communication of an oral warning.

The Committee would like to be informed of the decision reached on the question of fixing responsibility of the Superintending Engineer and the Executive Engineer concerned for not taking prompt action in the case.

In the opinion of the Committee not only the cost of the work but also the time necessary to execute it should be estimated with reasonable accuracy and adhered to.

The Committee can not overlook the omission to follow the prescribed procedure on the part of the purchase organisation which was responsible for the payment of compensation in the case referred to in para 46 of Audit Report, 1959.

The Committee trust that Government will ensure that 'purchase registers' are properly maintained by purchase Officers and an effective watch kept over the progress of execution of indents against the date of supply of the stores as specified by the indentor.

1	2	3	4
75	97	Do.	The Committee trust that the India Supply Mission will be more vigilant in future in safeguarding Government's financial interests.
76	98	Do.	The Committee feel that the settlement of overpayment made to Oil Companies is taking too long a time. They suggest that in cases involving large financial repercussions, expedition is essential.
77	99	Do.	They would like to be informed of the outcome of this case as well as the result of the review that is being conducted by the Department in respect of POL contracts.
78	100	Do.	The Committee would like to be apprised of the action taken against the Section Officer for his failure to send an advance copy of the acceptance of tender to the Inspector concerned. The Committee would strongly urge that adequate and effective steps should be taken by Government to ensure that delays in supply of purchase order files to Audit are avoided.

APPENDIX II

(Referred to in paragraphs 28 of the Report)

SINDRI FERTILIZERS & CHEMICALS LTD.

1. *Rated capacity not achieved according to the original estimates—para 51 of Audit Report 1958—page 53.*

The production during the financial years has been as follows:—

<i>Years</i>	<i>Production in long tons</i>	<i>Daily average</i>
1956-57	3,33,705	914
1957-58	3,32,031	909
1958-59	3,30,122	905
1959 April to end of October, 59	1,64,312	767

The reasons for the slightly lower production in 1958-59 compared to 1956-57 was that certain heavy maintenance jobs were required in the gas plant. These do not occur annually. The production during 1958-59 was lower mainly due to the unusual fire accident in the power house during July 1958. The loss due to this has been conservatively estimated at about 1,500 tons, but is possibly slightly more. About 600 tons of ammonia were sold. If all these are taken into account, the production in 1958-59 is not very different from the production in 1956-57.

2. As regards the lowering in production from April 1959 to November 1959, the causes have been (a) The trial runs and guarantee test runs of Montecatini plants took place during this period and since the lean gas plant could not supply enough gas for coke oven under-firing, semi-water gas had to be spared in large quantities. As a result of this, the loss in ammonium sulphate production has amounted to 8,700 tons (b) Coal supplies seriously got dislocated from about November 1958 and both Lodna washed and Loyabad coals were not available as they were diverted for Steel Ministry. During the electrification on Grand Chord Line, the Dishergarh coals could not be had fresh and had to be used from the old stocks and as a result of the deterioration of these coals on storage, the coke manufactured showed less reactivity and gas make. As a result of Lodna and Loyabad coals being absent, the ash fusion of coke produced was generally low and uncertain. The unprecedented heavy rains dislocated even the supplies of existing coals at the factory and for some time cut out the supplies of Giridih coals, which used to put up ash fusion temperature, though not making more gas as when Lodna washed and Loyabad are used.

(c) Additional generator hours of about 624, equivalent to nearly 960 tons of ammonia or 3,000 tons of sulphate were lost due to breakdown of grate rack of No. 1 generator, which necessitated the lowering of generator bottom and replacement of new parts.

(d) Due to the purity of gypsum having gone down very low on many occasions, the losses of sulphate in chalk have been higher than normal. The reason for the tendency towards poorer quality in supplies is due to the fact that most of the higher quality has been removed.

(e) Some of the essential major items of maintenance as per the designers, were programmed to be taken up on the installation of the 9th gas generator, which, however, has been delayed beyond expectation, with the result the other generators are working less efficiently than they should otherwise have.

3. As regards fluctuation in the monthly productions during 1958-59, there is nothing unusual. The over-hauling of time consuming jobs are programmed mostly for the summer months when the production comes down due to decreased volumetric efficiency of compressors and higher temperatures of cooling water. It may also be mentioned that the hydraulic troubles in summer months are more than in cooler months. The plant is designed to produce more in cooler months than in summer and consequently the variations in monthly productions are to be noticed during any year and not particularly confined to 1958-59.

* * * * *

**LIST OF AUTHORISED AGENTS FOR THE SALE OF PARLIAMENTARY
PUBLICATIONS OF THE LOK SABHA SECRETARIAT, NEW DELHI-1**

Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent	Agency No.	Name and address of the Agent
1.	Jain Book Agency, Connaught Place, New Delhi.	26.	The International Book Service, Deccan Gymkhana, Poona-4.	50.	Chanderkant Chiman Lavora, Gandhi Road, Ahmedabad.
2.	Kitabistan, 17-A, Kamla Nehru Road, Allahabad.	27.	Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.	51.	S. Krishnaswamy & Co., P. O. Teppakulam, Tiruchirappalli-1.
3.	British Book Depot, 84, Hazratganj, Lucknow.	28.	City Booksellers, Sohanganj Street, Delhi.	52.	Hyderabad Book Depot, Abid Road (Gun Foundry), Hyderabad.
4.	Imperial Book Depot, 268, Main Street, Poona Camp.	29.	The National Law House, Near Indore General Library, Indore.	53.	M. Gulab Singh & Sons (P) Ltd., Press Area, Mathura Road, New Delhi.
5.	The Popular Book Depot (Regd.), Lamington Road, Bombay-7.	30.	Charles Lambert & Co., 101, Mahatma Gandhi Road, Opp. Clock Tower, Fort, Bombay.	54.	(R). C. V. Venkitachala Iyer, Near Railway Station, Chalakudi.
6.	H. Venkataramiah & Sons, Vidyanidhi Book Depot, New Statue Circle, Mysore.	31.	A. H. Wheeler & Co. (P) Ltd., 15, Elgin Road, Allahabad.	55.	The Chindambaram Provision Stores, Chindambaram.
7.	International Book House, Main Road, Triyandrum.	32.	M. S. R. Murthy & Co., Visakhapatnam.	56.	K.M. Agarwal & Sons, Railway Book Stall, Udaipur (Rajasthan).
8.	The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5.	33.	The Loyal Book Depot, Chhipi Tank, Meerut.	57.	The Swadesamitran Ltd., Mount Road, Madras-2.
9.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	34.	The Goods Compansion, Baroda.	58.	The Imperial Publishing Co., 3, Faiz Bazar, Daryaganj, Delhi-6.
10.	Book Centre, Opp. Patna College, Patna.	35.	University Publishers, Railway Road, Jullundur City.	59.	Azeez General Agency, 47, Tilk Road, Firupati.
11.	J.M. Jaina & Brothers, Mori Gate, Delhi-6.	36.	Students Stores, Raghunath Bazar, Jammu-Tawi.	60.	Current Book Stores, Maruti Lane, Raghunath Dadaji Street, Bombay-1.
12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	A.P. Jambulingam, Trade Representative & Marketing Consultant, Prudential Bank Building, Rashtrapati Road, Secunderabad.
13.	The New Book Depot, Connaught Place, New Delhi.	38.	Allied Traders, Motia Park, Bhopal.	62.	K. J. Aseervandam & Sons, Cloughpet, P.O. Ongoli, Guntur Distt. (Andhra).
14.	The New Book Depot, 79, The Mall, Simla.	39.	E. M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitral Street, Madura.	63.	The New Order Book Co., Ellis Bridge, Ahmedabad.
15.	The Central News Agency, 23/90, Connaught Circus, New Delhi.	40.	Friends Book House, M.U., Aligarh.	64.	The Triveni Publishers, Masulipatnam.
16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi-5.
18.	The New Book Depot, Modi No. 3, Nagpur.	43.	People's Book House, B-2-829/1, Nizam Shahi Road, Hyderabad Dn.	67.	'Bookland', 663, Madar Gate, Ajmer (Rajasthan).
19.	The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.	44.	W. Newman & Co., Ltd., 3, Old Court House Street, Calcutta.	68.	Oxford Book & Stationery Co., Scindia House, Connaught Place, New Delhi.
20.	The English Book Store, 7-L, Connaught Circus, New Delhi.	45.	Thacker Spink & Co. (1938) Private Ltd., 3, Esplanade East, Calcutta-1.	69.	Makkala Pustaka Press, Balamandira, Gandhinagar, Bangalore-9.
21.	Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.	46.	Hindustan Diary Publishers, Market Street, Secunderabad.	70.	Gandhi Samriti Trust, Bhavnagar.
22.	International Book House Private Ltd., 9, Ash Lane, Bombay.	47.	Laxmi Narain Agarwal, Hospital Road, Agra.		
23.	Lakshmi Book Store, 42, M. M. Queensway, New Delhi.	48.	Law Book Co., Sardar Patel Marg, Allahabad.		
24.	The Kalpana Publishers, Trichinopoly-3.	49.	D. B. Taraporevala & Sons Co. Private Ltd., 210, Dr. Naoroji Road, Bombay-1.		
25.	S. K. Brothers, 15A/65, W.E.A. Karol Bagh, Delhi-5.				

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PUBLIC ACCOUNTS COMMITTEE

1959-60

TWENTY-FIFTH REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Civil), 1956-57 and 1957-58 and
Audit Reports (Civil), 1958 and 1959]

VOL. II—REPORT

[Ministries of Education, Scientific Research & Cultural Affairs,
External Affairs, Food & Agriculture, Home Affairs, Infor-
mation & Broadcasting and Transport & Communications]



LOK SABHA SECRETARIAT
NEW DELHI

March, 1960

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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
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14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman

SECRETARIAT

Shri S. L. Shakhder—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

*Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959, [Vice Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister] and was appointed as the Chairman of the Committee on the 12th September, 1959.

PART I—REPORT

MINISTRIES OF EDUCATION AND SCIENTIFIC RESEARCH AND CULTURAL AFFAIRS

Audit Report (Civil), 1958

Drawal of funds against letters of credit—para 20 (a), pages 19-20.

The Ministry of Education was allowed to draw funds, since 1949-50, against letters of credit for expenditure on various schemes, subject to detailed accounts in respect of such withdrawals being submitted to Audit monthly. In contravention of the orders in nearly all cases, consolidated accounts for the total amount drawn were rendered by the Ministry long after completion of the schemes. Out of the total amount of Rs. 57·91 lakhs drawn during the years 1955-56, 1956-57 and 1957-58, accounts for amounts aggregating Rs. 45·56 lakhs were outstanding as on the 31st March, 1958. Even on the 15th July, 1959, detailed accounts for Rs. 12·73 lakhs drawn during these years had still to be rendered to Audit. Of a sum of Rs. 17 lakhs similarly drawn during 1958-59, accounts for Rs. 14·23 lakhs were outstanding on the same date.

2. In evidence, the Committee were informed by the Secretary, Ministry of Education that the funds in question were made over to the Directorate of National Cadet Corps (Ministry of Defence) for organising A.C.C. Camps in various parts of the country. The delay in submission of accounts was occasioned by the fact that the accounts of the Directorate had to pass through a number of channels before finalisation.

3. *The Committee attach great importance to submission of accounts in time. Non-submission of accounts for sums of this magnitude is fraught with grave risks. They fail to understand how year after year additional funds were paid without first obtaining an account for the moneys already paid. The Committee are hardly convinced by the explanation of the Ministry. They are surprised why the Ministry of Finance had also been so complacent about this matter.*

4. Delays in the receipt of detailed accounts had resulted in large amounts being kept under 'Suspense'. *The Committee have repeatedly emphasised in the past that this practice was most undesirable as it resulted in presentation to Parliament of a distorted picture of expenditure incurred each year on the respective schemes financed from the Consolidated Fund.*

5. *The Committee also do not look with favour on the procedure of placing funds with subordinate organisations through letters of credit. This, in their opinion, not only engenders in the recipient organisations a tendency to delay the preparation and submission of accounts, but also opens the way for all kinds of frauds, misappropriations, etc. The Committee understand that a revised procedure is being evolved by the Ministry in consultation with audit. They trust that the new procedure will be introduced as early as possible.*

6. *In regard to the accounting arrears that have already accumulated, the Committee suggest that immediate steps be taken to clear them and a report made to them.*

Drawal of Advances—Para 20(b), pages 20-21.

7. During the years 1955-56 to 1957-58, advances aggregating Rs. 8·73 lakhs were drawn on simple receipt forms by the Ministry of Education for meeting expenditure on various counts, but detailed accounts with vouchers for Rs. 4·12 lakhs only had been rendered to audit to the end of August, 1958. Even on the 15th July, 1959, detailed accounts for Rs. 2·41 lakhs drawn during these years had still to be rendered. Of a sum of Rs. 4·28 lakhs similarly drawn during 1958-59, accounts for Rs. 1·8 lakhs were outstanding on the above date.

Audit of the accounts revealed that the advances were drawn generally much in excess of current requirements and that the unspent balances were retained by the officers concerned for long periods. In some cases, large advances had been drawn at the end of the financial year, apparently to avoid lapse of budget provision.

8. In evidence it was stated by the Secretary, Ministry of Education that the advances in question were drawn for organising (i) coaching camps and other sports activities, and (ii) training camps for headmasters of secondary schools. The funds had been drawn on simple receipt forms for the sake of convenience.

9. *The Committee regret to observe that in this case too, the Ministry of Education had failed in their duty to ensure expeditious submission of detailed accounts to Audit. They desire that prompt and effective steps should now be taken to clear off the accounting arrears.*

10. *The Committee also feel that it was most improper on the part of the officers of the Ministry to have drawn advances much in excess of requirements and retained them for long periods. In their view, stern action is called for against those responsible.*

11. Although it was stated before the Committee by the Secretary, Ministry of Education that the practice of drawing funds on simple receipt forms was being resorted to only in cases where some expenditure had to be incurred on the spot, the Committee find that it was not actually so. In 1958-59 the amount of advances drawn by the Ministry had exceeded those drawn during any of the three preceding years. *The Committee trust that the Ministry will go into this matter more thoroughly and take steps to restrict this practice to rare occasions.*

Avoidable loss due to belated release of requisitioned land—Audit Report, 1959—Para 34, page 31.

12. On 10th May, 1944 Government requisitioned a plot of land for constructing temporary quarters for the duration of War and six months thereafter (i.e., upto 30th September, 1946) on an annual rental of Rs. 5,021 for the first year and Rs. 4,745 thereafter. In 1945-46, 9 blocks of quarters were constructed on the land for certain Military personnel at a cost of Rs. 86,970.

The lease was continued upto September, 1953 when it was decided to release the land and it was handed over to the C.P.W.D. on the 31st October, 1953 for relinquishment. The vacant quarters together with certain other materials were sold in March, 1955 for Rs. 7,350 but the land was actually released to the owner only in January, 1956. This resulted in an avoidable expenditure of Rs. 10,280 on land rent and Rs. 3,668 on the pay of chowkidars for the period November, 1953 to December, 1955.

13. The Committee were informed in evidence that as a preliminary to release of the requisitioned land, the structures thereon were to be dismantled and disposed of by auction. Due to delay in receipt and scrutiny of the survey report, an auction could be held only in November, 1954. The sale, however, had to be cancelled as the purchaser failed to deposit the earnest money in full. The materials were re-auctioned in March, 1955. The earnest money was paid by the party within the prescribed time-limit but the site was not cleared within the specified period. The Committee were informed that the earnest money partly paid in the former case had been forfeited and the question of recovery from the second purchaser of the loss on account of rent of land and expenditure on watch and ward from the specified date of clearance of site to the actual date of clearance was under examination in consultation with the Ministry of Law. The security deposit of the second purchaser was not also refunded by Government. *The Committee would like to be apprised of the final outcome in this case.*

14. The Committee notice that there was a time-lag of over a year between the handing over of the land to the C.P.W.D. for relinquishment and the first auction. *This, in their opinion, was not justified.* The D.G.S. & D. admitted before the Committee, that his Directorate was not equipped for disposing of building and building materials, etc. He added that experience had shown that a knowledge of local conditions and of the type of structures was necessary and advantageous and that Central disposal in cases of this type was not advisable. *The Committee appreciate the point. They would, therefore, like the Ministry of Works, Housing and Supply to examine the feasibility of simplifying the existing procedure regarding disposal of dismantled materials and of other stores which require knowledge of local conditions on site with a view to ensuring that the time involved in their disposal is reduced to the barest minimum.*

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil), 1959—Part I

Avoidable expenditure, para 24, pages 22-23.

15. A local Administration placed under suspension a temporary Executive Engineer on 21st January, 1953, on charges of insubordination and inefficiency. It reported the case to the Ministry in September, 1953 recommending the officer's removal from service. The officer tendered his resignation on 2nd October, 1953 but withdrew it on 17th March, 1954 before its acceptance. In December, 1953, the Administration learnt that the officer was employed by a State Government from 11th May, 1953, but the Ministry were informed of it only in April, 1954. Order stopping his subsistence allowance from April, 1954 was not issued. The officer was debarred on 21st December, 1956 from future service under the Central Government.

The Administration was advised on 29th September, 1955 to reinvestigate the charges. The officer's services were terminated from 9th December, 1955, on his own request after he had undertaken not to press any claims against Government excepting subsistence allowance up to the date of termination of his service. A total amount of Rs. 14,547 had been paid as subsistence allowance for the period from 21st January, 1953 to 30th November, 1955. The officer had also received Rs. 7,634 from another State Government as pay for the period from 11th May, 1953 to 14th April, 1954.

16. In evidence, the Special Secretary of the Ministry admitted that the officer who was only temporary could have been discharged from service on a month's notice. But unfortunately that was not done and the S.E., although not competent under the rules, had drawn up regular proceedings against the officer. Once the proceedings had been drawn up, the legality of discharging the officer from service on a month's notice became questionable and regular proceedings as laid down in the Classification, Control and Appeal Rules had to be gone through.

17. *The Committee are amazed that an officer of the standing of a S.E. should have been so grossly ignorant of his powers in regard to disciplinary matter under the Classification, Control and Appeal Rules. They were given to understand that the Ministry of Finance had recently recirculated among the officers the Classification.*

Control and Appeal Rules for careful study and strict compliance. The Committee trust that in future Ministries would take serious notice of procedural lapses in instituting disciplinary cases by Officers so that Government are not put to unnecessary loss as in the present case.

18. The Committee inquired why the Ministry did not stop payment of subsistence allowance from April 1954 to the Officer when they came to know of his employment under a State Government. The Secretary explained to the Committee that in accordance with the advice of the Ministry of Home Affairs any such order could issue only "after all the formalities, including the advice of the U.P.S.C. has been taken into consideration. . . . Under the Rules, so long as he is under suspension he must get a subsistence allowance". *The Committee are not satisfied with this explanation. It is obvious that the right to subsistence allowance automatically ceases when an officer takes up employment elsewhere.*

Appropriation Accounts (Civil), 1956-57—Vol. VI

Grant No. 22—External Affairs

Infructuous expenditure, note 9, page 27.

19. About 1000 copies of a Quarterly Review in Russian published by the Indian Mission at Moscow in April, 1955 and March, 1956 had to be scrapped due to defective translation and printing resulting in a nugatory expenditure of Rs. 5,258.

20. In evidence, the Committee were informed that as printing charges in Moscow were heavy the Ministry thought of printing the material at Rome at a cheaper rate. As for the recurrence of mistakes in the second issue, the Committee were informed that the Mission thought that the mistakes would not be repeated as a Professor of Russian had been engaged in the translation work.

21. *The Committee find it difficult to accept these explanations. It is surprising that the Mission did not take adequate steps to ensure that the mistakes detected in April, 1955 did not recur in March, 1956 when the publication was printed again. They trust that the Ministry will take steps to avoid such mistakes by our Missions in future.*

Appropriation Accounts (Civil), 1957-58—Vol. VI

Grant No. 23—External Affairs

Waiver of recovery, note 8(vi), page 45.

22. A contract officer of an Indian Mission abroad had been sanctioned and paid foreign allowance at the rate of Rs. 400 p.m. as for

married officers instead of Rs. 300 p.m. admissible to him as a bachelor. The mistake came to light in April, 1954, by which time a sum of Rs. 4,916 had already been overpaid. Government ordered in December, 1955, the waiver of a sum of Rs. 3,716 and the recovery of the balance of Rs. 1,200 in easy instalments.

23. The Committee were informed that the order sanctioning the foreign allowance was itself defective as it did not indicate the different rates for married and unmarried officers. It was pointed out by Audit that while the order indicated the rates for married and unmarried officers in the case of other allowances, it did not do so in respect of foreign allowance. The omission had escaped detection by four officers. Three of them had been admonished while the fourth was being asked to give his explanation. *The Committee desire to be informed of the action taken against this officer after his explanation has been examined by the Ministry. They trust that there is at present proper arrangement in the Ministry for scrutiny of the orders of sanction of various allowances to officers in the Indian Missions abroad.*

Premature expenditure on the proposed construction of a residence for the Head of a Mission, Note 9, page 46.

24. An Indian Mission abroad had acquired on lease in January 1950, a plot of land measuring about two acres, from a Foreign Government for the construction of a house for the Head of the Mission. In March, 1954, when the bills of quantities (i.e. detailed estimates) for the house were under preparation, the Mission asked the architects not to proceed with invitation of tenders as it proposed (November, 1954) to construct the house on a different site for various reasons. Government, however, desired (January, 1955) that the house should be built as originally planned. In September, 1956, the Mission reopened the proposal for constructing the house elsewhere or alternatively for buying a house. This was not accepted by Government. Again in November, 1957, when the Mission reiterated the previous objections to building a house on that site, Government did not accept this. Government stated (March 1959) that despite the Mission's objections, they would have liked to go ahead with the construction but for the foreign exchange difficulties. The fees paid to the architects and the quantity surveyors for dealing with the proposed construction amounted to Rs. 29,667. The expenditure, including ground rent up to 1957-58, incurred on the acquisition of land was Rs. 28,560, which appeared infructuous.

25. The Special Secretary of the Ministry stated before the Committee that the place had lost its attractiveness as a large number of

small houses of the middle class had sprung up there. He urged that as Government could sell the land at a profit, the expenditure of Rs. 28,560 on survey and plans was not infructuous. As there was a proposal to build staff quarters on that land it was just in the nature of maintenance charges.

26. *The Committee feel that this is a case in which the Mission did not care to implement the decision of Government. The land has remained unutilised for ten years. If the land value had risen in the meantime—it was fortuitious—it cannot be put forth as a plea to justify the expenses incurred by Government especially when speculation in land-values is not a function of Government and less so in a foreign country. The Committee would like to know the yearly expenditure on rental, etc., the present arrangements for housing the staff, the savings that would result by building quarters for the staff and the total expenditure likely to be involved by such a construction and the time that would be taken for building the quarters.*

MINISTRY OF FOOD AND AGRICULTURE

(DEPARTMENT OF AGRICULTURE)

Audit Report (Civil), 1958—Part I

Delay in execution of a scheme, para 22, pages 21-23.

27. A Pilot Plant of the Forest Research Institute at D hra Dun was purchased for production of different types of paper and boards from indigenous raw materials, at a cost of \$ 391,807 by the Ministry after direct negotiations from a certain firm in the U.S.A. without the intervention of the India Supply Mission, Washington. The project for which the plant was ordered had been decided upon in 1946, and the broad specification of the plant had been settled by an Expert Committee. An Officer was specially deputed to make the purchase of the plant abroad and put through the scheme. The scheme did not make progress although he was given extension of service for three years. In July, 1950 six months after his retirement, it came to light that there was an omission to place orders for certain important parts essential for commissioning the plant.

The capacity of the pulping and stock preparation plant, approved by the Expert Committee in February, 1948, was found in May 1950 to be inadequate and a completely new pulping equipment at an additional cost of Rs. 15 lakhs was considered necessary. The construction of the requisite buildings for the Project did not also progress satisfactorily due to lack of specialised knowledge on the part of the local engineers and non-supply of basic engineering data by the firm supplying the pilot plant. Arrangements made under Technical Co-operation Agreements in 1952, 1953 and 1956 for the procurement of machinery and engineering services from the firm were also not effective, as supplies were delayed for long periods and additional payments demanded. Under the agreement of June 1957, the firm was to supply various engineering services and equipment by September, 1958. The project was now estimated to cost Rs 58.79 lakhs. According to the Audit Report, doubts were being expressed in August, 1957 whether the Institute would at all be a suitable place for putting up a plant of this size, because the raw materials required for feeding it would not be available locally. The possibilities of using it for producing special quality paper were being explored as

the full capacity of the plant might not be utilised for research and training.

28. *The Committee deplore the way in which the Ministry had set about planning and executing a project of this nature. They were given to understand that the firm with whom orders were placed for equipment had no experience in that line of manufacture either.*

29. *The Committee were concerned at the large expenditure already incurred on this project without any return and desired to know how it was proposed to utilise the plant. They were informed that, an agreement had been entered into with the local mills for the supply of raw material in the shape of bamboos, waste papers etc., until the pulping section of the plant was ready.*

The Committee could not appreciate how manufacture of paper from these raw materials would facilitate research on manufacturing paper from 'indigenous raw materials'. They, therefore, desired that with a view to utilise the plant to its full capacity the feasibility of manufacturing special qualities of paper such as for security printing be examined and a note furnished to them.

30. From the note (Appendix II) furnished by the Ministry, the Committee find that a special Committee appointed in November 1957 had observed that the prospect of running the plant on a commercial scale to utilise its full capacity was not likely to be feasible. It should be worked only for purposes of research and education for which it was meant and limited supplies of special types of paper be manufactured within available resources of power and water and after working out the economics of such a project carefully. The possibility of manufacturing security paper also appeared remote as the Ministry of Finance who had earlier asked for transfer of the plant, for manufacturing security paper at Nasik was not interested in operating it in Dehra Dun.

31. The Committee understand that the entire plant was expected to go into production in March, 1960 and the feasibility of producing special type of paper would be investigated soon and if it proved economical, production of such paper would be taken up to the extent of the spare capacity available after the requirements of training and research had been fully met. *While the Committee would like to watch the working of this plant, they cannot help observing that the entire project was ill-conceived.*

Non-recovery of dues—Para 24, page 24.

32. The Forest Department, Andamans gave a licence and a lease to a private firm, in 1951, for extraction of timber in certain forests

in Andaman Islands. The terms of the lease provided that the firm would extract every year a specified quantity of timber and pay royalty on that quantity. Failure to do so would entitle Government to collect royalty at the agreed rate also on all shortfalls in the years 1951—54 taken together, and thereafter for each year separately. The guaranteed quantity of timber was not extracted by the firm during the years 1951—54, 1954-55, 1955-56 and 1956-57. But the recovery of royalty due on shortfalls amounting to Rs. 21,28,201 which the firm was legally liable to pay, had not been made. It was stated by the Ministry in September, 1958 that the ceilings prescribed for annual extraction under the agreement, were being revised and that meanwhile the recovery of the royalty due on shortfalls had been postponed.

33. The Committee were informed that according to the Inspector General, Forests the quantity of timber prescribed in the agreement was based on an incomplete appreciation of the working plans and the capacity of the forests and was on the high side. It was, therefore, proposed to revise the ceiling of quantity of timber to be extracted on a realistic basis.

34. *The Committee find it difficult to appreciate this plea at this stage as they were earlier informed that of the 9 tenders this firm of contractors offered 78% as royalty while the others 47% and below; the offer of this firm was accepted by Government as it was most favourable and the firm had long experience in timber business in Burma and was therefore competent to fulfil the terms of the contract. They disapprove strongly the tendency to bring in considerations which should rightly have been taken into account at the time of entering into the contract. Such action cuts at the very basis of competitive tendering. There is also the risk of contractors assuming that they can always disregard the terms of contract with impunity, if penalties are waived on a posteriori considerations.*

35. The Committee understand that the question of recovery of royalty on the shortfalls is under the active consideration of Government. *They desire that the matter should be settled quickly as the amount due is reported to be Rs. 51.49 lakhs upto 1957-58.*

Audit Report, 1959

Avoidable extra expenditure due to diversion of a vessel from Vishakhapatnam to Kakinada, para 27, pages 25-26

36. A contract for the supply of ammonium sulphate f.o.b. was placed on behalf of the Agriculture Ministry abroad in November, 1956. The seller was responsible for chartering transport to India.

Intimation was sent on 30th August, 1957 that a vessel with about 10,100 tons of fertilizers had sailed on 23rd August, 1957 for Vishakhapatnam. The Transport Ministry suggested on 10th September, 1957 that the vessel should be diverted to another port as Vishakhapatnam port was heavily congested at the time. This request was communicated to the Supply Mission only on the 5th October, 1957 with the suggestion that the switch-over should be made without payment of extra freight. The vessel arrived at Vishakhapatnam, however, on 8th October, 1957 but was unable to berth. After protracted negotiations, the shipowners agreed on 21st October, 1957 to divert the vessel to Kakinada on payment of extra freight of Rs. 2.38 per long ton provided the lay (unloading) time would commence from the date of arrival (8th October, 1957) of the vessel at Vishakhapatnam and not 24 hours after receipt of the vessel's notice of arrival in port and readiness to discharge. Government agreed on 24th October, 1957 to the proposed terms of diversion except that the lay time be calculated as per Charter Party. On the same day, the shipowners offered to reduce the extra freight from Rs. 2.38 to Rs. 1.19 per long ton, provided the lay time commenced from the arrival of the vessel at Vishakhapatnam and this offer was accepted by Government on 28th October, 1957. But as the vessel was required to pay demurrage charges with effect from 25th October, 1957, the shipowners withdrew their offer of the reduced rate of Rs. 1.19 per long ton and insisted on payment of entire freight of Rs. 2.38 per long ton which condition was, on 2nd November, 1957, finally agreed to by Government. An extra expenditure of Rs. 1,17,851.27 was accordingly incurred by the Agriculture Department as below:—

	Rs.
(i) Extra freight on 10,100*326 long tons at Rs. 2.38 per L. T.	24,048.38
(ii) Demurrage at Kakinada and Vishakhapatnam	93,802.89

	1,17,851.27

37. In evidence, the Committee were informed that the Ministry of Transport suggested on September 10, 1957 to the Ministry of Works, Housing and Supply about the diversion of the vessel to Kakinada but a delay of about a month occurred before the Mission could be informed of the decision to divert the ship to another port without payment of extra freight. After receipt of this communication, a controversy arose between the India Supply Mission, Washington and the India Store Department, London as to who should handle the negotiation for diversion. Ultimately the India Supply Mission sent a telegram to the shippers on 17th October (9

days after the arrival of the vessel at Vishakhapatnam Port) for diversion of the vessel.

38. *The Committee deplore the routine manner in which the Ministries concerned had acted in this case without appreciating the need for urgent action. In their opinion, the Ministry of Transport could well have taken up the matter direct with the Agriculture Department in this case under intimation to the Mission. Likewise the India Supply Mission could have taken up the matter immediately with the shippers without raising a controversy. It was urged that the India Supply Mission had no powers to negotiate the terms of diversion as it was not a party to the contract or to the Charter Party and had to obtain the approval of Government before accepting the terms. The Committee would suggest that Government should consider the question of delegation of powers to Missions for negotiating diversion of vessels whenever necessary to the best advantage of Government. The Committee were informed that to avoid such situations in future, alternative ports of destination were included in the Charter Party. They trust that this together with delegation of more powers to Missions abroad, as suggested above, will avoid recurrence of such cases.*

(DEPARTMENT OF FOOD)

Audit Report (Civil), 1958—Part I

Loss due to non-delivery of foodgrains by a transport contractor, para 23, pages 23-24.

39. The Food and Procurement Department of a Centrally Administered Area entrusted to a contractor the work of transporting foodgrains from a distant sub-divisional godown to the central godown in the Capital without any agreement and with no safeguard for ensuring delivery of consignments. The time normally required for the movement of stock was 2 to 3 days but the contractor took nearly 12 months for transporting 755 maunds out of a total quantity of 1,675 maunds handed over to him and stopped delivery of the remaining stocks (estimated at Rs. 15,374). A criminal case was instituted against the contractor on September 20, 1956. As the prosecution could not produce certain important registers and prove that the foodgrains entrusted to the contractor had not been delivered to Government, the case was dismissed by the Court. Government initiated on 31st August, 1957 departmental proceedings against the officers at fault, the result of which was still awaited. A civil suit against the contractor had been instituted on 4th May, 1959. It was stated that final action for the adjustment or refund of the security deposit to the contractor would be taken after the civil suit was decided.

40. The Committee enquired how the contractor was allowed to start transporting the foodgrains before he had executed a contract. The Secretary of the Ministry stated that as it was procurement time the contractor was allowed to start the work before executing the agreement. *The Committee are not satisfied with this explanation. They are also perturbed over the unduly long delay in finalising departmental proceedings.* The Board of Enquiry set up in February, 1959, to enquire into the causes of the loss and to fix responsibility submitted its report in November 1959. *The Committee would like to be informed of the action taken by the Government on the various recommendations of the Board of Enquiry as well as the result of the court case.*

Avoidable extra expenditure on the chartering of vessels, para 26, page 25.

41. Two ships belonging to an Indian Shipping Corporation (in which the Government held 74 per cent of the share capital) were chartered by an Indian Mission abroad for the shipment of foreign wheat purchased by Government in December, 1955 and March, 1956. The ships were chartered through the London Agent of the Indian Shipping Corporation instead of through the Director General of Shipping as required under the prescribed procedure (which the Mission had followed earlier in such cases). This deviation from the normal practice resulted in avoidable payment of £2,022 (Rs. 26 960 approx) as brokerage and commission by the Shipping Corporation to its London Agent.

42. It was explained to the Committee that deviation from the prescribed procedure was due to an oversight for which the Ministry, the Director General of Shipping and the High Commission for India, London were all responsible. The consequences of the deviation from the prescribed procedure were not fully appreciated at that time as no ships were chartered in the preceding two years and as the wheat for which the ships were chartered, was to be shipped urgently.

43. *The Committee suggest that whenever deviations from the prescribed procedure are made ad hoc the full consequences thereof should be examined by all the Ministries/Departments concerned. They trust that such mistakes will not recur.*

Unprofitable outlay on Buhler Grain Discharging Plant, para 27, page 25.

44. A mechanical plant intended to facilitate the discharge of ships carrying grain in bulk was purchased by Government for

Rs. 4,47,188. The plant was received in September 1955 and was erected at Bombay docks in the first week of February, 1956 on a site taken on lease. A sum of Rs. 1,01,685 was spent on its erection and maintenance till August, 1958. But the plant had not been operated till October, 1958 (except for about a month in August, 1957 at the Naval Docks) due to the opposition from local stevedoring interests who apprehended that the mechanisation of the unloading operations would lead to large-scale unemployment.

45. In evidence, the Secretary of the Ministry urged that such mechanical aids at ports would prove more economical and help in the expeditious clearance of the docks. But Government had not succeeded in persuading the labour so far. The Committee pointed out that the advantages of the plant can accrue only if it was used and enquired whether the possibility of installing the plant at other ports was investigated. They were informed that the matter was under examination in consultation with the Ministry of Transport. *The expenditure of Rs. 1,01,685 already incurred upto August, 1958 on its erection and maintenance at Bombay Port together with the rent of site on which erected and the further expenditure on these counts till the plant is shifted to another port must be regarded as infructuous.*

Loss due to belated diversion of food shipment—para 28, page 26

46. In February, 1957, a vessel was chartered by an Indian Mission abroad to carry a shipment of wheat from California to Bombay via the Pacific, at a freight rate of 192½ sh. (Approximately Rs. 128) per ton. The ship sailed from California on 4th May, 1957 for Bombay, where she was expected to reach on 27th June, 1957. The expected heavy arrival of other food ships, in June, 1957, in Bombay Port as a result of the re-opening of the Suez Canal in March, 1957 was known to the Ministry by the last week of May, 1957. It was, however, decided by Government only on 18th June, 1957, to divert it to Madras and Calcutta, because of the congestion at the Bombay Port. The diversion took place when the ship was just off the west coast of Ceylon and this involved Government in an additional freight expenditure of Rs. 97,000 in all (at 15 sh. or Rs. 10 per ton).

47. In evidence, the Committee were informed that there had been no delay in taking the decision to divert the ship as the agents of the ship concerned offered to divert it on the 18th June, 1957 on payment of 15 sh. per ton and on the same date their offer was accepted. In reply to a question, the Committee were informed that the agents of the ship owners in India were contacted first on the phone on the 7th June, 1957 for the diversion of the ship. It was, however, brought to

the notice of the Committee that the Ministry had approached the shipowners for diversion of other ships even in the third week of May, 1957, and had that been done in respect of this ship, the extra payment could have been avoided. Further, on 29-5-1957, the I.S.M. Washington advised the Ministry to negotiate direct with the ship agents in Bombay for diversion of the ship. Instead of acting on this advice, the Regional Director Food, Bombay, approached the Railway Board and other authorities to explore the possibilities of diversion of ships to other Ports. A formal letter for the diversion of this ship was actually written only on the 17th June, 1957.

48. It was urged before the Committee that diversion of ships and the terms therefor were to be mutually agreed upon between the Government and the shipowners and a letter for diversion could be issued only after the terms were settled. *The Committee are unable to accept this plea since such diversion being an urgent matter, it should be possible to settle the terms without delay. They are also of opinion that earlier approach to the agents could have facilitated the diversion without payment of extra cost in as much as ships coming via the Pacific from the West Coast of America would prefer to call at ports on the East Coast of India as the freight rate to eastern ports was cheaper by Rs. 7 per ton. The extra payment was apparently demanded by the shipowners at the instructions for the diversion of the ship were issued when it was too late.*

49. It was also brought to the notice of the Committee that there was a general reluctance on the part of the shipowners to go to Indian ports specially Calcutta as they apprehended delays in discharge. It was reported that a sum of about Rs. 60 lakhs was paid mostly as demurrage charges in 1957-58. *The Committee feel that this is a matter which Government should look into in consultation with the Port Trusts concerned.*

Non-recovery in full of contractual dues from four firms, para 29, pages 26—28.

50. Contracts were placed on four Indian firms for the purchase of an aggregate quantity of 57,000 tons of imported sugar (valued at Rs. 2.7 crores) which was to be shipped before 31st March, 1954 in 3 cases and before 15th April in the fourth case. All the four firms failed to supply the sugar even after extensions of time were granted by the Ministry of Food of their own accord. The Contracts were therefore cancelled at the risk and cost of the defaulting firms according to the terms of the contracts and purchases were effected at higher rates. Accordingly, the amounts recoverable from the four firms for failure to supply sugar came to Rs. 4,00,000; Rs. 1,97,000;

Rs. 1,82,827 and Rs. 9,50,000 respectively (Total Rs. 17,29,827). But on the representations of these firms, Government decided on 4th February, 1955 on grounds of equity that the penal recovery might be restricted to a nominal figure equal to one-tenth of the difference between the contract price in each case and the lowest price subsequently paid, in 1954, for comparable overseas sugar. On this basis, the amounts recoverable worked out to Rs. 22,500; Rs. 15,000; Rs. 13,555 and Rs. 58,666 respectively (Total Rs. 1,09,721).

While recovery had been effected out of their security deposits from the first three defaulting firms, only a sum of Rs. 10,000 out of Rs. 58,666 could be recovered from the fourth firm. The firm had failed to deposit the necessary security and had paid only an earnest money of Rs. 10,000 along with its tender. The financial standing of this firm was not verified by Government prior to placing the contract although a police report had been received intimating that the Director of this firm (with whom the contract was being negotiated) had been convicted of certain criminal offences. Subsequent enquiries showed that this firm's paid up capital was less than Rs. 10,000 and that there was no prospect of any money being realised from it as damages.

51. It was explained to Audit that the equitable grounds on which the damages were reduced from Rs. 17,29,827 to Rs. 1,09,721 were that (i) the firms were let down by their foreign suppliers, and as such their failure was due to reasons beyond their control, and (ii) that the firms could not open letters of credit in favour of their foreign suppliers in time owing to some delay in ascertaining the terms and conditions relative to the marine insurance of the sugar stocks.

52. The Committee were informed by Audit that three out of the four firms had genuine offers in hand from their principles abroad early in March which were kept open for 3-4 weeks. The foreign suppliers withdrew their offers as the Indian firms did not open the letters of credit. In the meantime prices of sugar had gone up. If so, *the Committee feel that it was not correct to say that the firms were let down by their suppliers abroad. Nor are the Committee convinced by the arguments for the delay in opening letters of credit. The Committee feel that such untenable explanations advanced by the contractors should not be accepted by Government as it would set a bad precedent. In their opinion selection of these firms, who it was admitted had no experience in this line, without verifying their financial standing and capacity to fulfil the contract was wrong. The selection of the fourth firm in particular for a contract of over Rs. 1*

crore with the full knowledge that the firm had only a capital of Rs. 10,000 and that the director who negotiated on behalf of that firm was convicted for criminal breach of trust was questionable. Normal prudence required that stricter conditions should have been imposed on this firm for fulfilling the contract. On the other hand, the Committee are perturbed to find that the firm did not deposit the security deposit and that no serious notice was taken of this failure. It was urged at one stage that the intention was to encourage Indian firms. The Committee wish to point out that if the requirements of sugar were urgent as urged by the Ministry, it was hardly the occasion to experiment in this manner.

53. Nor were the Committee satisfied with the reasons for scaling down the liquidated damages. The plea that Government purchased in chain a large quantity of sugar subsequently at higher prices and that there was, therefore, no definite "risk purchase" as such against each defaulter and no loss to Government, was untenable. If it were accepted, there is a risk of contractors assuming that they can always escape the provisions of penalty clauses in their contracts. They would like to draw attention to their comments on a similar case in para 34 of this Report.

Appropriation Accounts (Civil), 1956-57 Vol. VII

Proforma Accounts of imported foodgrains—Grant No. 128, page 107.

54. The profit and loss accounts of 1955-56 and 1956-57 revealed losses of Rs. 19 crores and Rs. 15.87 crores against corresponding profits of Rs. 2.15 crores and Rs. 1.05 lakhs in the years 1953-54 and 1954-55 respectively. The proforma accounts for 1957-58 had not yet been compiled although they were due in September, 1958. The accounts for 1958-59 had also not been produced.

55. The Committee were assured that the compilation of accounts would be expedited and proforma accounts of the indigenous purchase of foodgrains prepared. The Committee endorse the suggestion of the Comptroller and Auditor General that the accounts of foodgrains should give a clear and comprehensible picture of the working of the scheme to Parliament and with this end in view, the Ministries of Finance and Food and Agriculture should devise, in consultation with Audit, the form in which these Accounts should be prepared.

MINISTRY OF HOME AFFAIRS

Audit Report (Civil), 1958—Part I

Overpayment to Stevedoring labour, para 31, pages 30-31.

56. The Andamans and Nicobar Administration had requested Government sanction in June, 1947 for the issue of free snacks and tea costing approximately annas -/2/- per head per diem to certain stevedoring gangs working in two shifts. In the Government sanction the rate had, however, been mentioned as 12 annas due to a typographical error. That resulted in an extra expenditure of Rs. 11,465 in the case of double shifts and an unauthorised expenditure of Rs. 40,020 on single shift to which the concession was also extended. Government had ordered in August, 1956, an investigation into the irregular expenditure but meanwhile issued *ex post facto* sanctions in August, 1956, and June, 1957 to regularise the above unauthorised and excess payments. The results of the investigation ordered by Government were awaited.

57. It was admitted before the Committee that the Administration was at fault to a certain extent in not having sought clarification from Government. But the remoteness of the place and difficulties in communication were urged as extenuating circumstances. They were not, however, convinced of this explanation as the discrepancy (which should have been obvious to the Administration as they themselves had recommended amenities costing As. -/2/- per head only) went on undetected for about eight years. Further, the extension of the amenities to single shift stevedoring gangs also by the Administration was without justification. *In their opinion, this is a case in which the persons who allowed these mistakes to go undetected escaped the consequences of their negligence by the passage of time. The Committee, however, understand that with a view to safeguarding against such typographical errors in future, instructions had been issued that in expenditure sanctions, all rates, amounts, etc. should be given not only in figures but in words as well. As such they do not wish to press the case further.*

Audit Report (Civil), 1959—Part I

Delay in the issue of expenditure sanction and omission to provide funds, para 30, page 28.

58. Expenditure amounting to Rs. 17,47,528 incurred by the Defence Authorities on behalf of the Home Ministry on certain

measures during December, 1956 to June, 1957 was passed on for adjustment against that Ministry in August, 1957. Further debits amounting to Rs. 1,10,619 on that account were also received for adjustment against the Ministry in June and November, 1958. As the Ministry had not made any provision during 1957-58 and 1958-59 and had not issued any expenditure sanction in this regard, the amounts were kept under a suspense head outside the Consolidated Fund.

59. The Committee were informed that the accounts had since been adjusted. *The Committee consider this as a serious irregularity. They have repeatedly deprecated the tendency of keeping large sums under suspense and thus vitiating Parliamentary control. In this connection, they would invite the attention of all the Ministries to their recommendations made in para 14 of their Tenth Report (First Lok Sabha).*

Appropriation Accounts (Civil), 1956-57—Vol. IX

Infructuous expenditure, note 9, page 10.

60. In this case, failure on the part of Delhi Administration to intimate to a Flour Mill to stop grinding of grains after the end of rationing on 28th February, 1954, resulted in an infructuous expenditure of Rs. 16,484/8/- comprising of the difference between the grinding charges on the guaranteed quantity of 90,000 maunds per month and the quantity of 57,031 maunds actually ground during the post-rationing period from 1st to 9th March, 1954.

In evidence, the Committee were informed that on the termination of rationing, the Mill had a left-over quantity of 20,000 maunds of grains. The Mill wrote a letter to the Deputy Rationing Controller, stating that, as discussed, it would grind the left over stock on the same terms as in the previous agreement but the latter failed to reply to this letter. The claim of the Mill to receive the full charges for grinding the minimum quantity guaranteed under the previous agreement had to be honoured. The Deputy Rationing Controller had been asked to explain his failure to reply to the letter from the Mill. *The Committee would like to be informed of the action taken by Government in this case and reserve their opinion till then.*

Bilaspur Commercial Corporation, note 8, page 77.

61. The sundry debtors as on 31st March, 1958 stood at Rs. 25,878 as against Rs. 36,325 at the end of the previous year.

In evidence, the Committee were informed that a sum of Rs. 20,197 (including a sum of Rs. 20,000 due from an ex-ruler) had been re-

covered and that the balance related mostly to various departments of the Administration.

The Committee enquired about the recovery of interest from the ex-ruler. From a note furnished to them, the Committee understand that the ex-ruler has been requested by Government to make the payment of the interest of Rs. 8,447.50 due from him, and that they proposed to adjust this amount against the amount payable to him by Government on account of rent of the buildings occupied by the different departments. *The Committee would like to know the latest position in regard to this adjustment.*

Rosin and Turpentine Factory, Nahan, Page 179.

62. The loss in the working of the factory had been increasing from year to year as given below:

1955-56	Rs. 68,585
1956-57	Rs. 4,19,859
1957-58	Rs. 6,05,651

The Committee were informed that the working results of the factory had since improved consequent on the termination of the present managing agency. *The Committee would like to watch the working of the Factory under the new set-up through future Reports.*

Sundry debtors, page 179 (1957-58 accounts)

63. The outstanding sundry debtors at the close of the year 1957-58 amounted to Rs. 7,90,446 as against Rs. 4,75,362 during the year 1956-57.

From a note furnished to them, the Committee notice that an amount of Rs. 4,12,131 has been recovered since then. *The Committee feel that a more energetic drive is necessary to recover the balance of Rs. 3,78,315 some of which had been outstanding since April, 1952.*

Shortage of foodgrains, note 8, page 278 (1957-58 accounts).

64. The Committee understand that the Board of Enquiry appointed in connection with the case reported in para 23 of Audit Report (Civil), 1958 will enquire into this case as well. In view of this, *the Committee would await the findings of the Board and action taken by Government thereon.*

Grants-in-aid of Rs. 13·92 lakhs to Sarva Seva Sangh

65. The Sarva Seva Sangh is a non-official organisation entrusted with the work of development of about 1,000 villages in some districts of the Orissa State which were donated as a result of the Bhoodan movement. The scope of work of this Sangh includes *inter alia* irrigation, soil conservation and reclamation, supply of bullocks, housing, training camps, health, hygiene and sanitation, demonstration farms, cattle-breeding centres, intensive paddy cultivation and village industries.

A total grant of Rs. 13·92 lakhs was made to the above Sangh for the development of Gramdan Villages in Orissa by the Government of India through the agency of the Orissa State Government—Rs. 2 lakhs during 1955-56 and Rs. 11·92 lakhs during 1956-57. Of this, the Sangh spent Rs. 6·37 lakhs only. Out of the remainder Rs. 4·50 lakhs had been surrendered and the balance still remained to be surrendered (May, 1959).

66. In reply to a reference, the Ministry of Home Affairs furnished details about the grant to the Sangh and how it was utilised (Annexure). It appears therefrom that the accounts of the Sangh were audited by private auditors and not by the C. & A. G. and that the Sangh did not furnish the accounts in time, even the accounts furnished later in the year 1958 showed certain discrepancies in the figures. Further grant to the Sangh had been stopped by the State Government and the Sangh had been asked to refund the unspent balance. The accounts furnished by the Sangh were under scrutiny by the State Government.

67. In evidence, the Committee were informed that the Sangh had refunded the balance, but the accounts were still under scrutiny by the Orissa Government. *The Committee would like to have a further report in due course.*

68. In reply to a question, the Committee were informed that the Sangh was not well-equipped to tackle work and could not produce any beneficial results. On the contrary, the Sangh had failed in this enterprise. *The Committee regret to learn from the Secretary of the Ministry of Home Affairs that the experiment of trying to manage the Gramdan villages through a non-official organisation has not been a happy one.*

The Committee view with concern that such works involving huge financial commitments should have been entrusted to organisations about whose capacity there was no sufficient knowledge or data.

69. The Committee understood that the accounts of this Sangh were not audited by the C. & A. G. It is not clear to them how the State Government or the Government of India [the grant-in-aid in this case envisaged in the first proviso to Article 275(1) of the Constitution is stated to have been made by the Government of India through the agency of the State Government] satisfy themselves about the proper utilisation of the grant. The Committee are aware that the grants-in-aid under the first proviso to Article 275(1) of the Constitution have been made obligatory by the Constitution itself and are not to be determined by Parliament by law. Nevertheless, they feel, considering the large sums involved (a sum of Rs. 835.42 lakhs was provided in the year 1959-60 on this account), a procedure should be devised by which the C. & A. G. will be in a position to report to Parliament about the utilisation of the grants for the purposes envisaged by the Constitution.

MINISTRY OF INFORMATION & BROADCASTING

Appropriation Accounts (Civil), 1957-58—Vol. X

Grant No. 65—Broadcasting—All India Radio

Financial Review by the Director General, All India Radio—page 11.

70. The loss on the working of the service (excluding the Radio publications) for the year 1956-57 excluding custom revenue amounted to Rs. 1,66,67,415. The corresponding figure for 1955-56 was Rs. 1,29,02,430.

The Committee were informed that at present besides the external services, the A.I.R. was broadcasting for universities, rural areas, plan publicity, schools, etc. the total cost of which services was estimated at about Rs. 50 lakhs a year. On this there was no commercial return. Moreover, the A.I.R., equipped to cater to the needs of 10 to 20 million licensees, was serving only 1·6 million licensees in the country at present. In order to make the radio more popular, the programmes put on the air were being improved and augmented. Experiments with the diffusion system were also under way to increase the number of listeners.

71. *The Committee feel that much more needs to be done to make the public radio-minded. Introduction of a cheap radio set in the market will be a measure which would be widely appreciated by prospective listeners of small means and the Committee are unhappy to note that Government have not made much headway in this direction. It will be worthwhile to enlist the co-operation of the private industry in the production of cheaper sets with suitable incentives. Linking the rate of licence fee to the price of a set will act as an incentive to the prospective buyer in the lower income group and in turn to the industry. The Committee are glad to note that following recommendation in para 119 of their Eighteenth Report (Second Lok Sabha) Government have reduced the licence fee for cheap radio sets (those costing less than Rs. 120 each) from Rs. 15 to 7·50 nP. per set.*

MINISTRY OF TRANSPORT AND COMMUNICATIONS
(DEPARTMENT OF TRANSPORT)

Irregularities noticed in the Accounts of a Tourist Office—Para 40 of Audit Report, 1958, Pages 41-42 and Para 38 of Audit Report, 1959—Pages 34-35.

72. The following irregularities were noticed in the accounts of a Tourist Office located in a foreign country.

(i) *Acquisition of premises.*—Against an estimated requirement of about 1,400 Sq. ft., premises with a floor area of over 3,200 Sq. ft. were acquired in September, 1956 on lease for fifteen years, on payment of Rs. 2,55,000 (approx.) as key money, on an annual rent of Rs. 40,000 (approx.). Two other cheaper offers with annual rents of Rs. 27,000 and Rs. 20,000 were not accepted. The surplus accommodation of over 1,800 Sq. ft. was neither sublet nor occupied by the Indian Mission in that country as contemplated at the time of leasing the premises.

(ii) *Excessive expenditure on decorations, furnishings, etc.*—Initially a sum of Rs. 75,000 was sanctioned for renovations, decorations, etc., of the premises. Thereafter, Government sanctioned a further sum of Rs. 35,000 but with a directive that the enhanced amount should not be exceeded under any circumstances. Though the decorations were incomplete, an expenditure of Rs. 1.20 lakhs had already been incurred with bills for considerable amounts pending payment.

A counter and a cabinet costing nearly Rs. 24,000 were purchased without the approval of Government and also without calling for tenders from a firm in which the architect was interested. Though Government had issued instructions that decorations and furnishings should be done on an austerity basis, certain items of expenditure in this regard showed that the standard adopted was anything but austere.

(iii) *Violation of financial rules.*—(a) Though the officer in charge of the Tourist Office was not his own controlling officer for T. A. and other claims he drew for himself large amounts of T.A., Medical expenses, etc., on bills under his own counter-signature. Some of these claims were found to be clearly inadmissible.

(b) No details were made available to Audit in regard to the special entertainment grant of Rs. 4,500 for 1957-58 drawn by the officer in March 1958, nor was the approval of the Head of the Mission or Government obtained as to the quality and quantity of entertainment, and the guests to be invited as required under the rules. Similarly no details were available in respect of a sum of Rs. 736 drawn by the officer in May, 1958 as entertainment grant for the year 1956-57.

(c) The cash book was not properly maintained nor was it reconciled with the monthly bank statement. The reconciliation carried out in October, 1958 at the instance of Audit revealed that a cheque for Rs. 2,267 issued by the Mission to the Tourist Office in recoupment of its imprest had been credited to the private Account of the officer.

(d) A sum of Rs. 560 was charged by the officer to office contingencies in March, 1957, for printing his personal visiting cards.

73. In regard to the acquisition of premises (item No. 1) the representative of the Ministry of Transport and Communications informed the Committee in evidence that the accommodation in question was acquired in preference to other cheaper premises on account of its more suitable location. At the time of acquiring the premises it was intended that the Indian Mission would also occupy a portion thereof. After three years, however, the Mission abandoned that idea. It had since been decided to hand over the premises to Air India International in exchange with theirs as they were located in a smaller building and were looking for larger accommodation.

74. At their instance, a note was furnished to the Committee by the Ministry of External Affairs regarding the leasing of the premises. It appears therefrom that the Embassy had intimated the Ministry of Transport, without the approval of the Ministry of External Affairs that the Air Wing would share the accommodation before the lease for the premises was entered into. Later when the Ministry of Transport referred the matter to the Ministry of External Affairs, the latter did not acquiesce in the proposal of the Embassy as the surplus space was not large enough to accommodate the Air Wing and moreover re-designing and alternations in the building were required. The matter was under correspondence between the Embassy and the Ministry of External Affairs for nearly three years, as to how best the sharing could be brought about. It was ultimately decided to exchange the building with that occupied by the Air India International in that country. *The Committee would like to know if the exchange of premises has since taken place.*

The Committee are not satisfied with the manner in which this case had been dealt with. Had the Ministry of Transport referred the matter to the External Affairs Ministry on receipt of the first intimation in March 1956 from the Mission abroad, about shifting part of the Embassy to the premises there was a possibility of the negotiations for lease being given up. The Ministry of External Affairs are also to blame in that they did not stick to their earlier decision but were constantly raising hopes in the minds of the other Ministry by their subsequent action over a period of 3 years. The result was that the Ministry of Transport could not take any action on their own to settle the problem.

75. The Committee have come across cases of purchase of property and lease hold lands in foreign countries, some of which are not to the best advantage of Government for one reason or another. They are of opinion that if all such deals are channelised through the Ministry of External Affairs and the Mission in the country concerned it would ensure the best co-ordination which is very necessary to cut down all unnecessary outlay.

76. With regard to the second and third items mentioned in para 72 above, it was admitted in evidence that the Tourist Officer had exceeded his powers in incurring expenditure on renovations, decorations, etc. and that for this and other irregularities committed by him the officer had been served with a charge-sheet and his explanation was under examination by Government. The Committee would like to be informed of the final outcome in this case and also of the remedial measures taken by Government to obviate recurrence of such cases in future.

Construction of an Oil Jetty—para 41 of Audit Report 1958, page 42.

77. A new Oil Jetty was completed in November, 1955 at a cost of Rs. 17.57 lakhs as a part of Kandla Port Project. Two Oil tankers were berthed in this jetty in November and December, 1955. The second tanker, however, broke adrift due to unfavourable direction of tidal conditions and the wrong alignment of the jetty. Since then the oil companies have refused to use this jetty. The investigation by the Development Commissioner established that there was a mistake in alignment of the Jetty and an extra-expenditure of Rs. 5 lakhs would be necessary to make it usable. In March, 1958, Government appointed a Committee of experts to examine the further course of action regarding the new jetty and also the question of responsibility for any infructuous expenditure.

78. From a copy of the report of the Committee of experts furnished by the Ministry, the Committee observe that the new Oil Jetty had

proved unusable due to mistaken assumptions about tidal movements. Despite the advice tendered by the Consulting Engineers that a comprehensive investigation of the tidal movements was necessary not only for navigational purposes but also for the correct siting of wharves and dock entrance and other port structures, the Engineering Department failed to collect the requisite data and verify the facts. An additional expenditure of Rs. 4.4 lakhs will have to be incurred in order to make the Jetty usable.

The Experts Committee had fixed responsibility for the omission on three engineers (two foreigners and one Indian). No action was possible against the two foreigners who had left India long ago; Government's displeasure had been communicated to the third officer who had been re-employed by Government.

To prevent such lapses in future, Government have issued instructions that the engineer-in-charge of any project should on receipt of a project report prepare detailed check-list to include all items on which special action has been recommended in the project report which he himself considers necessary for the proper design or execution of the project. The list should be brought up-to-date from time to time indicating the action taken and made over to his successor by an officer while handing over charge. Such a check-list will enable the new incumbent to satisfy himself that the requisite action has in fact been taken and chalk out further action.

79. The Committee regret to observe that the new Jetty constructed at a cost of Rs. 18 lakhs has not been used for about 5 years; interest, depreciation and maintenance charges ((@ 6 %). thereon amounting to about Rs. 5 lakhs will also add up to the infructuous outlay. *They are concerned to learn that even after making the Jetty usable at a further cost of Rs. 5 lakhs, the prospect of its being used fully is not bright (the existing Jetty meets the present requirements) unless the traffic increases by about 50% of its present level. The Committee trust that Government will do all they can to facilitate the full use of the New Jetty in as short a time as possible.*

*Excess payment to a contractor—para 39 of Audit Report, 1959—
Page 35.*

80. The detailed estimate for the construction of a road in a frontier area included two specific items of work viz., (i) jungle cutting, etc. at the rate of Rs. 2|8|- per 1,000 sft. and (ii) cutting and removing bamboo dumps or digging out roots, etc. at the rate of Rs. 6|8|- per 100 sft. The road construction work was awarded to a contractor in December, 1954 at the above rates plus 15% but in the agreement the nomenclature of the second item was altered and

made to read as 'cutting and uprooting and clearing bamboo clumps or cane clumps'. Neither the estimate (as approved by Government) nor the local schedules of rates provided a rate for cutting and removing 'cane clumps' as distinguished from bamboo clumps. On certain objections being raised in January, 1956, the Additional Chief Engineer in June, 1958 changed the nomenclature of the second item as 'cutting and uprooting and clearing bamboo and cane jungle' and sanctioned a rate of Rs. 2|8|- per 100 sft. plus 15% extra for it. The final bill prepared on the basis of the substituted rate showed that a sum of Rs. 1,07,169 had been paid in excess to the contractor.

81. In evidence, the Committee were informed that the mistake was detected when the payments made for this part of the work exceeded the estimated amount. The contractor had neither accepted the substituted item in the agreement nor the relevant measurements recorded in the final bill and the matter had been referred to arbitration. *The Committee would like to be informed of the settlement in due course. They suggest that Government should also institute an enquiry to investigate the circumstances in which payments were made to the contractor and fix responsibility therefor.*

Hindustan Shipyard (P) Ltd.

Para 54 of Audit Report, 1958—pages 69—72 and paras 147 and 150 of 18th Report of P.A.C. (Second Lok Sabha).

82 The Hindustan Shipyard was continuously incurring losses since 1952-53. In 1956-57 the loss amounted to Rs. 3·69 lakhs. The Public Accounts Committee (1958-59) in their 18th Report had expressed concern over the losses and desired that early measures should be taken to reduce overheads and to step up production. They had reiterated the necessity of introducing effective methods of cost control and also recommended in this connection the establishment of an efficient estimating department in the Shipyard manned by specially trained staff.

83. In evidence, the Managing Director, Hindustan Shipyard, apprised the Committee of the steps being taken by the Shipyard to reduce the cost of construction of ships. It was stated that the progressive expenditure was being kept under close watch and the workers were being fully employed by ensuring proper planning and procurement of material and settlement of plans and specifications with the indentors before commencement of the work. The Ministry of Transport and Communications have also sent a note pursuant to the recommendations of the Public Accounts Committee which explains the various measures adopted to control costs, to increase production and to ensure preparation of accurate estimates by competent staff. *The Committee would watch the results of these measures through subsequent Audit Reports.*

Defects in plans and designs of ships

84. The Committee were informed that the question of claiming compensation from the technical consultants for the losses suffered by the Hindstan Shipyard due to defects in plans and designs of three ships was still under consideration. *They would like that the matter should be finalised quickly and the result intimated to them.*

DEPARTMENT OF COMMUNICATIONS AND CIVIL AVIATION

Losses, writes off, etc. Note 3, pages 77, Appropriation Accounts (Civil), 1957-58, Vol. XVI.

85. A loss of Rs. 41,578 due to caking of cement by long storage in a C.P.W. Division was written off by Government in October, 1957. In extenuation of the circumstances leading to the loss, the representative of the Ministry of Transport and Communications stated that orders for about 8,800 tons of cement required for two works (pending formal approval of Government) at Dum Dum Air Port were placed on the D.G.S.&D. in November, 1947. About 4,463 tons of the material was received in instalments during the period April to September, 1948; but the work commenced only after November, 1948. During the intervening period owing to abnormal monsoon conditions (humidity as well as leakage in the roof of the store room), the cement deteriorated. In May, 1948 efforts were made for the diversion of the supplies of cement to Lucknow and other places where it could be utilised; but the request was not agreed to by the Railway Administration. The Honorary Cement Adviser to Government was also approached in November, 1949 to permit the sale of cement in stock but he gave permission for the sale of 60 tons only. The Committee desired to know the dates on which the supplies of cement were received and the arrangements made for its storage and upkeep. They also enquired the date on which the caking of cement was first noticed and the measures taken by the administration to improve the condition of storage thereafter. The witness could not give a satisfactory answer but promised to furnish a written statement which is still awaited.

86. The Ministry of Finance (Communications) have furnished a note stating the circumstances under which they had agreed to the write-off of the entire loss on this account. According to this note, on receipt of the proposal for the write-off, the Ministry of Finance raised doubts regarding arrangements made for the storage of cement and enquired about the special measures taken by the C.P.W.D. to protect the material from humidity and moisture at Calcutta. The Ministry of Works, Housing and Supply had contended that the loss

occurred on account of unavoidable long storage of cement and not because of any defective or unsatisfactory storage conditions.

The Committee find it difficult to reconcile the above statement with the Transport Ministry's admission in evidence that certain leakage in the roof of the store room had been detected. *They would await the note from the Ministry of Transport before recording their opinion on this case. They regret to observe that too long a time is taken by the Ministry in furnishing the note.*

Infructuous expenditure on watch and ward and non-recovery of ground rent—Note 4, page 77, Appropriation Accounts (Civil), 1957-58, Vol. XVI.

87. In 1940, a piece of land was acquired by Government to provide a temporary extension to an aerodrome. As there were some private buildings on the site, a portion of the land was leased out to the owner of the buildings initially for 5 years. Piecemeal renewals of lease were sanctioned up to March, 1949. One of the conditions of the renewal granted in 1947 was that the lessee should pay one rupee per square yard per year and should, if so required, remove the buildings and structures owned by him and deliver the land to Government in usable condition without any compensation. In January, 1950 Government proposed to enhance the rent to Rs. 3 per square yard which the lessee did not accept. In 1952, Government decided to purchase from the lessee the building, etc., for Rs. 33,574 on the basis of the then-estimated market value and to adjust this price against the arrears of ground rent at the increased rate due from the lessee. The building was taken over in November, 1952, but was not put to any use until July, 1958 when it was ultimately decided to demolish it. The work of demolition was completed on 4th March, 1959. Meanwhile, an expenditure of Rs. 5,958 was incurred on watch and ward up to January, 1959.

88. In evidence, the Committee were informed that in order to eject the lessee from the land and to recover the arrears of rent from him, legal proceedings were necessary, which would have been a time-consuming process. It was, therefore, decided to purchase the building and adjust the price thereof against the arrears of rent. Further, in view of the acute shortage of residential accommodation in Bombay it was then considered that the building could be allotted to the employees of the Air Corporation for residential purposes. This proposal, however, did not materialise as the staff refused to occupy the premises, which lacked essential amenities like kitchen, bathrooms, etc.

89. The Committee are not satisfied with the explanation. In view of a clear stipulation in the lease agreement that the lessee should, if required, remove the buildings and structures owned by him and deliver the land to Government without any compensation, it is surprising why the authorities did not choose to exercise this right when the lessee refused to pay the enhanced rent. Since the land was not urgently required, Government could well have instituted legal proceedings, if necessary. It also appears to the Committee that the officers who took the decision to purchase the building without properly considering its utility, have erred grievously. Further, it is strange that the authorities should have taken six years to come to a decision regarding the demolition of the structures, which could not be put to any use and incurred an avoidable expenditure of Rs. 5,958 on watch and ward.

Indian Airlines Corporation

*Losses in working, sub-para (ii) of para 55 of Audit Report, 1959—
Pages 53-54.*

90. The Indian Airlines Corporation was continuously incurring losses since it was formed in August, 1953. Although from 1956-57 onwards there was a slight improvement in the working results on a majority of its services, the Corporation was still incurring losses and in a number of cases even the direct cost was not recovered. All the freighter services were running at a loss which amounted to Rs. 19.48 lakhs in 1956-57 and Rs. 18.09 lakhs in 1957-58.

91. In extenuation of the losses incurred by the Corporation on the freighter service the General Manager, IAC, stated that the bulk of the operations related to transportation of jute, tea, etc., and the freight rates in respect of these commodities were being kept very low with a view to encouraging their export trade. As a Commercial Undertaking, the Committee see no reason why the Corporation should offer rates which do not cover its working expenses. However, on the same rates, the private companies operating in the area were reported to be making profits. The Committee feel that there is scope to bring down the working expenses. They trust that an all out effort will be made to minimise them. The Committee will await a report about the measures actually adopted to achieve this end.

92. The Committee understand from Audit that in certain cases the Corporation had to operate on uneconomic lines at the instance of State Governments. The question whether the State Governments concerned should share the losses on these operations was under

examination of the Government. The Committee feel that an early settlement should be reached in the matter.

Staff in excess of the normal standards—sub-para (iv) of para 55 of Audit Report.

93. There had been a progressive increase in expenditure on staff, etc. The number of employees in the Corporation increased from 7,449 in 1953-54 to 9,448 at the close of 1957-58. A firm of efficiency experts employed by the Corporation in 1955 had reported that in the Engineering and Stores Organisation of the Corporation 700 employees were surplus to requirements.

94. In evidence, the General Manager admitted that judging from the standard of other countries the staff engaged by the Corporation would appear to be on a higher scale. This, according to him, was due to peculiar conditions of labour prevailing in the country. The Corporation was, however, revising its staff requirements on the basis of the recommendations of the Expert Committee in consultation with Staff Assessment Committee on which workers were also represented. *The Committee are concerned at the delays that have occurred in fixing norms of output for various categories of workers, without which the management has deprived itself of a vital instrument for controlling costs. The Committee trust that the Corporation will take a decision on this matter without further loss of time to enable it to consider, on this basis, ways of raising the coefficient of efficiency of its workers.*

Cases of avoidable and infructuous expenditure—sub-para (vii) of para 55 of Audit Report. 1959.

95. The Committee propose to deal with some of the more important items of avoidable and infructuous expenditure referred to in the sub-paragraph cited above.

Avoidable expenditure of Rs. 2 lakhs on the shifting of administrative offices to Dum Dum.

96. In April, 1955, the Corporation shifted its administrative offices from a building in the city of Calcutta to the Military Hutments at Dum Dum in order to effect a saving in rent of Rs. 4,000 p.m. On the other hand, an expenditure of over Rs. 2 lakhs was incurred on structural alterations, shifting of records and furniture and staff transport. Later on, the Corporation realised that shifting to the Hutments involved problems affecting efficiency, co-ordination and attendance and, therefore, hired in December, 1955 a new building

in the city at a monthly rental of Rs. 5,500 p.m. in addition to the payment of brokerage.

97. In evidence, the General Manager, Indian Airlines Corporation, stated that the shifting of the administrative offices was intended to bring all the offices of the Area Manager at one place. It was also proposed to construct residential quarters for the staff on a piece of land near the airport which was at the time under unauthorised occupation of displaced persons. It was, however, found difficult to eject them from the land with the result that the staff had to be provided with transport between the city and the military hutments. This, apart from being expensive, was not considered to be a suitable arrangement. It had since been decided to construct a new building for the offices of the Corporation in the city for which requisite land had been acquired and other formalities completed.

In the opinion of the Committee this case indicates prima facie lack of proper planning and foresight on the part of the Corporation which resulted in large avoidable expenditure.

Excessive expenditure on renovation of booking offices.

98. The Corporation got its booking office at Bombay renovated in 1954-55 at a cost of about Rs. 1,45,000 through a contractor. Two other cheaper offers at Rs. 91,582 and Rs. 94,600 were rejected on the ground that their designs were not suitable. Similarly, the renovation of Delhi Booking Office was got done by the same contractor in September, 1955 at a cost of Rs. 1,84,000 although another local contractor had made a cheaper offer of Rs. 48,837. In the opinion of Audit, as no specifications of the work to be done were determined, it had not been possible to ascertain whether the various items of the work were completed according to the specifications.

99. In evidence, the representative of the Indian Airlines Corporation stated that the contractor had previous experience of that type of work and his plans and designs were considered to be superior to other offers. It was, however, admitted that there was no expert body in the Corporation to compare the different designs and ensure that the rates quoted by the Contractor were reasonable. *The Committee were surprised to learn this. In the absence of detailed specifications they fail to understand how the authorities could determine the cost of work and satisfy themselves that the contractor was not paid at higher rates than were necessary. Further, the Committee also feel that the management should have displayed more austerity in spending on such items especially when the booking offices are located in hired accommodation and the Corporation was incurring losses every year.*

*Instances of irregular payments of allowance and other emoluments—
sub-para (vii) of Audit Report, 1959.*

100. The para in the Audit Report cited the following instances of irregular payments of allowances, etc.:

- (i) Payment of foreign allowance to staff recruited locally in a foreign country;
- (ii) payment of dearness allowance to retired Government officials in contravention of rules and objections from Audit;
- (iii) *ex-gratia* payments made by the Chairman of the Corporation (i) to a State Government officer as honorarium for his part-time services to the Corporation and (ii) to the family of the officer for returning to their home-town after his death.

101. In evidence, the General Manager of the Corporation explained to the Committee that the foreign allowance was paid to the employees due to a misunderstanding about their nationality as they had migrated earlier from India to the foreign country. In other cases payments of dearness allowances, etc. were made to the retired officials under the rules applicable to other employees of the Corporation. The fact that these rules did not apply to ex-Government officers, re-employed within a period of two years of their retirement, was not appreciated. The *ex-gratia* payments were sanctioned by the Chairman of the Corporation in exercise of his own powers. The matter was not reported to the Board of Directors through an oversight.

The above instances indicate, in the opinion of the Committee, the need for tightening up the Administration.

*Cases of losses and misappropriation—sub para (x) of para 55 of
Audit Report, 1959.*

102. *Misappropriation by booking agents.*—The Audit Report disclosed loss of over Rs. 2 lakhs incurred by the Corporation due to misappropriation of monies by two travel agents. In evidence, the General Manager explained to the Committee that the cases related to the period prior to introduction of the new procedure under which the booking agents were required to furnish security deposit to the Corporation and submit their accounts every fortnight. In case of default, the Corporation could now stop the future credit of the booking agents and even forfeit their security deposits. *The Committee would like to emphasize the need for closer watch by a senior official over the recovery of amounts due to the Corporation.*

103. *Loss of radio equipment.*—Out of the Radio Equipment said to have been purchased for Rs. 54,989 by the Resident Representative of an ex-airline, equipment valuing Rs. 36,076 was shown as transferred to Kathmandu but no records were available to show their actual despatch, nor were these stores found in Kathmandu station on 30th September, 1954 at the time of physical verification. A court of enquiry conducted in June 1955, *inter alia* revealed certain irregularities in the purchase of stores as well as negligence on the part of officers in allowing the stores to lie in Kathmandu under conditions in which these were damaged by rain water.

104. In evidence, the General Manager of the Corporation stated that although it appeared to be a case of malpractice, it had not been possible to prove the *mala fide* of any officers for want of sufficient evidence.

The Committee do not consider this explanation as satisfactory. *In their opinion, the officers through whose negligence the Corporation suffered the loss should not escape departmental punishment merely because it was difficult to establish their mala-fide. In the past the Public Accounts Committee have emphasised that officials found guilty of spending funds extravagantly or wasting them through negligence deserved condign punishment. The Committee are, therefore, unhappy that the officials who were guilty of negligence in this case were not dealt with timely but were allowed to leave the Corporation. They trust that in future such cases will be dealt with severely.*

Unsatisfactory state of stores and equipment accounts—sub-para (vi) of para 55 of Audit Report, 1959.

105. The Corporation took over, on nationalisation, stores and spares worth about Rs. 1.5 crores and equipment and property worth about Rs. 4.81 crores but no physical verification was carried out during the years 1953-54 to 1955-56 though this was specifically provided for in the Corporation Rules. Even block registers of property and equipment were not properly maintained. The result of physical verification conducted for the stores as on the 31st March, 1957 revealed shortages of Rs. 2,83,182 for which no responsibility could be fixed.

106. In extenuation, the General Manager urged that the discrepancies in the store and equipment accounts pertained to the assets acquired by the Corporation on nationalisation. Since the private companies did not maintain proper ledgers or invoices for stores it was difficult to make a proper assessment. These store accounts

were now being reconstituted. Proper accounts were, however, being maintained for stores and equipment purchased by the Corporation after nationalisation.

107. *The Committee attach great importance to proper maintenance of accounts and periodical verification of stores. Stores are cash in another form. They would urge upon the Corporation to give this matter serious attention. They would like to be informed of the progress made in the matter through subsequent Audit Reports.*

108. The Audit Report also mentioned that surplus Dakota spares worth about Rs. 50 lakhs had become obsolete and Viking Spares worth a like sum had become surplus to requirements following withdrawal of this aircraft from operation. *The Committee would like to know how the surplus and obsolete aircraft spares are proposed to be disposed of.*

NEW DELHI;

UPENDRANATH BARMAN,

The 22nd March, 1960.

Chairman,

Chaitra 2, 1882 (Saka).

Public Accounts Committee.

ANNEXURE

ANNEXURE

(Referred to in Para 66 of the Report)

MINISTRY OF HOME AFFAIRS

Note

SUBJECT:—*Grants-in-aid to the Sarva Seva Sangh by the Government of Orissa.*

The Lok Sabha Secretariat (Public Accounts Committee) in their Office Memorandum No. 2(1)(12)-PAC/59, dated the 4th June, 1959, sought information on the following points with reference to a question answered in the Parliament in May, 1959, relating to the grants to the Sarva Seva Sangh:

- (i) Whether the grants-in-aid in this case and in other such cases envisaged in the first proviso to Article 275(1) of the Constitution are made direct by the Govt. of India to the institutions/bodies concerned or through the agency of the State Government;
- (ii) whether any terms and conditions were imposed on the Sarva Seva Sangh before the grant was made to it by the Central/State Government and whether any test audit of such grants has been/was and is being conducted by the Audit Department;
- (iii) (a) in what manner the funds thus given are spent by this Organisation, and
(b) whether any machinery exists to exercise a check on the proper utilisation of the Funds by this Organisation; and
- (iv) whether any irregularities were noticed by the Audit Officer in the course of Audit of Accounts of this Organisation? If so, the nature thereof and the steps taken to set them right?

2. In consultation with the State Government the following information was furnished to the Lok Sabha Secretariat *vide* Ministry of Home Affairs Office Memorandum No. 20/44/59-SCT. III, dated the 29th August, 1959:

- (i) The grants-in-aid in this case and in other such cases envisaged in the first proviso to Article 275(1) of the

Constitution are made by the Government of India through the agency of the State Government.

- (ii) A copy of the statement (enclosure) indicating the terms and conditions imposed by the Orissa Government on the Sarva Seva Sangh for the utilisation of Central grant given through the State Government during the years 1955-56 and 1956-57, is enclosed. The State Government have informed that no audit was done by the Audit Department in the past, but the accounts of the Sangh were audited by H. Naik & Co., Chartered Accountants, Cuttack upto 1957-58.
- (iii) (a) The funds are spent according to the schemes approved by Govt. such as construction of wells, irrigation facilities, soil conservation, distribution of bullocks, housing, village industries etc.
- (b) The Collector of Koraput who is the drawing and disbursing officer in respect of the Grant, is to check the work done by the Sangh and its accounts. But the Government of India have no special machinery to exercise regular check over the working of the Sangh.
- (iv) The Sangh did not furnish the accounts in time. Even the accounts furnished later in the year 1958 show some discrepancies from the figures reported earlier. Further grant to the Sangh has been stopped by the State Government and they have asked the Sangh to refund the unspent balance. A sum of Rs. 4.50 lakhs has already been refunded by them. The accounts furnished by the Sangh are being further scrutinised by the State Government to find out irregularities, if any, and the exact balance with Sangh.

3. The Public Accounts Committee desired the above information vetted by audit. The Comptroller and Auditor General of India, New Delhi, has no comments to offer thereon.

V. VISWANATHAN,
Special Secretary.

Enclosure

Conditions of the grant of Rs. 11,92,000/- made to Akhil Bharat Sarva Seva Sangha during 1956-57.

The funds will not be used for party politics or any anti-Government propaganda. If it is found that this has been done, future grants will be withheld and those already sanctioned recalled.

The volunteers to be engaged in the work of different categories should be selected preferably both from the scheduled castes and scheduled tribes as far as practicable.

50% of the amount will be paid immediately for expenditure on the approved scheme. The balance grant will be sent on receipt of accounts. The total Government grant will be subject to proportionate reduction on the basis of actual expenditure.

The Organisation will submit to the State Govt. detailed report of the work done with a statement of accounts audited by an auditor after the close of the year.

Quarterly progress reports on the schemes undertaken by the Organisations should be submitted to Govt. by the 10th of the month following the quarter. The first report for the current year showing progress upto 31st December, 1956 should be submitted by the 10th January, 1957 and the report for the subsequent quarter by 10th April, 1957.

The Organisation will agree to the occasional visits of the Government officers and consider the suggestions for progressive working of the scheme.

The Organisation will agree to take a nominee of the Government as a member of their managing committee if so required.

Conditions of the grant of Rs. 2,00,000/- made to Akhil Bharat Sarva Seva Sangha during 1955-56.

Conditions laid down for payment of grant-in-aid to non-official organisations doing socio-economic uplift work are as follows:

1. The organisation will submit detailed schemes within a period of one month explaining how the amount allotted to them will be

spent. These schemes may then be forwarded to the State Government for their approval.

2. The funds given will be spent in improving the condition of the Adibasis, Harijans and backward classes under the following broad heads.

(1) Education (2) Economics (3) Sanitary and medical (4) Any other aspect from which these classes will be benefited directly.

3. The funds will not be used for party politics or any anti-government propaganda. If it is found that this has been done future grants will be withheld and those already sanctioned recalled.

4. The names of volunteers to be engaged in the work of different categories who should be selected preferably both from the Scheduled Castes and Scheduled Tribes should be submitted to Government for approval.

5. 50% of the amount allotted will be sent after the scheme and personnel have been approved by Govt. The balance grant will be sent in instalments or on receipt of accounts.

6. The organisation will submit to the State Government a detailed report of the work done with a statement of accounts audited by an auditor.

7. The organisation will try to raise at least 20% of the amount allotted to them by voluntary contributions.

8. Quarterly progress reports on the schemes undertaken by the organisations should be submitted to Government.

9. The Organisation will agree to the occasional visits of the Government officers and consider the suggestions for progressive working of the scheme.

10. The Organisation will agree to take a nominee of the Govt. as a member of their managing committee if so required.

PART II

**Proceedings of the Sitzings of the Public Accounts
Committee held on the 19th to 24th and 26th to 28th
October, 1959, 2nd to 5th, 7th, 8th and 14th
December, 1959, 16th March, 17th March,
and 22nd March, 1960**

PROCEEDINGS OF THE SIXTEENTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON MONDAY, THE 19TH
OCTOBER, 1959.

1. The Committee sat from 10.00 to 13.15 hours.

PRESENT

Shri Upendranath Barman--*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Pandit Jwala Prasad Jyotishi
4. Shri Radha Raman
5. Shri T. R. Neswi
6. Shri T. Sanganna
7. Shri Vinayak Rao K. Koratkar
8. Shri Yadav Narayan Jadhav
9. Shri Shraddhakar Supakar
10. Shri Amolakh Chand
11. Rajkumari Amrit Kaur
12. Shri Rohit Manushankar Dave
13. Shri T. R. Deogirikar
14. Shri Surendra Mohan Ghose
15. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Commerce and Industry

Shri S. Ranganathan, *Secretary.*

Shri V. L. Mehta, *Chairman, Khadi and Village Industries Commission.*

Ministry of Finance (Department of Economic Affairs)

Shri A. R. Shirali, *Additional Budget Officer.*

Ministry of Finance (Department of Expenditure)

Shri K. L. Ghei, *Financial Adviser.*

MINISTRY OF COMMERCE AND INDUSTRY

Audit Report (Civil), 1958—Part I

Heavy expenditure on the establishment of a Show-Room-cum-Trade Centre abroad, Para 19, pages 18-19.

2. To promote export trade, Government participated in a Fair held during September, 1954 in Switzerland at which Indian goods worth nearly Rs. 3 lakhs were exhibited. As the exhibition evoked considerable interest, a foreign national who happened to be an employee of Air India International and had obtained the necessary permission from the Swiss authorities for engaging himself in trade was prevailed upon to organise in October, 1954 a firm for the display and sale of goods worth Rs. 74,000 left over from the Fair, pending the setting up by Government of a permanent show room cum-sale centre. Ultimately, the firm took over goods worth only Rs. 34,000. No formal agreement was concluded with the firm. But certain terms and conditions were informally discussed and taken as agreed upon by the Ministry.

Subsequently in March, 1955, the firm was paid a sum of Rs. 19,500 to cover a part of the initial expenses incurred by it in organising the temporary show-room of the store.

3. The premises for the permanent show-room-cum-sale centre were acquired in February, 1955 on lease for 4½ years on a monthly rent of Rs. 1,850, in addition, an amount of Rs. 2,17,865 had to be paid as goodwill money to the former occupant for transfer of the

lease rights. The ground floor of the building was used as a show-room and a portion of the first floor was made available to the firm for the selling business in pursuance of the understanding with it. It was required to make purchases in cash or consignment basis from the show-room and a depot in the free port area which had been set up by Government for the storage of unused exhibits.

4. The expenditure incurred by Government up to 31st March, 1957, was Rs. 6,69,635, comprising Rs. 2,17,865 on goodwill money, Rs. 1,35,000 on equipment, renovation and furnishings, Rs. 1,01,000 on publicity and advertisement, Rs. 1,96,000 on establishment, rent, local taxes and contingent expenditure and Rs. 19,500 on the payment to the firm mentioned above. Against goods worth Rs. 3,07,000 received at the Centre (including some fresh consignments from India), the sales effected were only Rs. 94,300 (Rs. 41,300 in 1955-56 and Rs. 52,500 in 1956-57).

5. The formal agreement concluded with the firm in March, 1957, contained, among others, the following conditions:--

- (i) The building together with all equipment and furnishing to be placed at the disposal of the foreign firm, as agent of Government, from 1st September, 1956 to the 30th July, 1959, for giving publicity, and for conducting wholesale and retail trade in Indian goods, rent and other taxes being payable by Government.
- (ii) Government to pay for publicity arrangements, an amount of not less than Rs. 32,600 for the year ending 31st August, 1957, and such further annual amounts as may be determined by Government on the results achieved in the first year.
- (iii) After the expiry of the current lease on the 30th July, 1959, Government to transfer to the firm such occupancy rights as they may then have, subject to the provisions of the laws of the foreign country and consent of the landlord being obtained. The firm will not pay any portion of the goodwill money already paid by Government but will pay for the stock in trade, furniture and other equipment. It will use the building exclusively for the display and sale of Indian goods.

The rent payable by the firm for the period between February, 1955 and September, 1956, amounting to nearly Rs. 37,000 had so far not been recovered.

6. Explaining the circumstances leading to the appointment of this new firm for the sale of Indian goods in preference to other local firms doing the same business in Switzerland, the representative of the Ministry stated that that was the most effective arrangement possible at the time to develop Swiss interest in Indian goods. In reply to a question, the witness stated that it would be difficult to assess the exact benefits accruing to India as a result of the opening of the show-room; however, he added that India's exports to Switzerland had risen from Rs. 70 lakhs in 1954 to Rs. 124 lakhs in 1957. But not all that rise in exports could be attributed to the opening of the show-room. The Committee desired to be furnished with a note indicating India's exports to Switzerland during the years from 1953-54 to 1958-59; their break-up especially of the goods exhibited in this show-room.

7. Asked whether the Indian Embassy in Switzerland had agreed with the Ministry in setting up the show-room at Geneva and entrusting the work to the firm, the witness replied in the affirmative. The Comptroller and Auditor General, however, intervened to say that according to the papers with him, the Indian Consul General in Geneva protested against the appointment of that firm in preference to others who were already in business and also the Indian Embassy did not approve of Geneva for the show-room. The witness said he would check up and inform the Committee of the correct position.

8. When asked whether the idea of having a show-room at Geneva was linked up with the problem of disposal of remnants of goods worth Rs. 74,000, the witness replied in the negative. The Committee were also informed that goods worth Rs. 40,000 that had not been taken up by the firm were transferred to other exhibitions.

9. The Committee next enquired about the consideration which weighed with the Government in handing over the building together with all equipment and furnishings to the firm in question. They desired to know whether Government did not feel any longer the need for taking active interest in the promotion of sale of Indian goods in Switzerland. The witness replied in the negative and added that by transferring the show-room to the firm, Government were able to get the old benefits for lesser expenditure. He added that a Committee was going into the question of compensation for this transfer and its report would be made available to the Public Accounts Committee in due course.

10. The Committee then drew attention to the transfer of the lease of the show-room free of any goodwill or key money to the-

firm on 30th July, 1959, under the latest agreement according to which the firm would continue to act as an agent for the Government of India for selling goods for five years and thereafter either party would be free to terminate that arrangement. They wanted to know why the lease could not be renewed in the name of the Government of India as hitherto.

11. The witness stated that the present arrangement was more economical as the Government were getting the show-room facilities at less cost. Further, although in legal terms, the lease was terminable at six months notice, the arrangements were expected to continue. When asked whether the firm was under an obligation to provide show-room facilities after the expiry of the lease period, the witness replied that there was no such stipulation in writing; but it could be enforced if the firm retained the lease of the present building. If, however, it left that building and withdrew the show-room facilities, Government would not lose anything. They could always consider the setting up of their own show-room.

12. Next, the Committee enquired about the publicity work done by the firm. The witness promised to submit a note on this point to the Committee. The Committee also desired to be informed of the terms and conditions that were informally discussed with the firm and taken as agreed upon by the Ministry.

13. The Committee then took up the case of the godown that had been taken at the free port at a rent of 100 Sw. Francs p.m. from 26th September, 1955 in view of the contemplated wholesale trade through the firm. The godown was renovated, providing heating arrangements, a show-room and a telephone. But no one was stationed there to furnish information to the public. There were only a few cases containing damaged goods in the godown.

14. Explaining the position, the witness stated that the Ministry had not been able to come to a final decision regarding the retention of the godown because of the conflicting opinions received from the Indian Embassy in Switzerland. But the Additional Secretary, Ministry of C. & I. who happened to be on a visit to Europe would discuss this matter with the Consul General there and thereafter a final decision about the termination or otherwise of the lease of the godown would be taken. The Committee felt that the Ministry should examine the feasibility of using the godown at Geneva as a central place for stocking goods intended for display at various exhibitions in Europe or America to avoid waste of money on transport.

About the rent payable by the firm, the witness promised to examine the position and submit a note to the Committee.

Audit Report (Civil), 1959—Part I

Avoidable expenditure on rent of a show-room and a residential flat abroad—para 21, page 19.

15. With a view to expanding the market for Indian goods, Government decided in February, 1957 to open a show-room in a foreign country. Some premises were taken on lease for one year from 2nd November, 1957 on an annual rental of Rs. 25,858, although no date had been fixed for the opening of the show-room. The necessary preliminaries such as decoration, electrification of the premises and posting of staff had not been completed even by September, 1958 (when the accounts of the Mission were locally audited), but subsequently it was reported that Rs. 35,701 had been spent on decorating and equipping the show-room. Consignments of goods, which arrived there between the end of February, 1958 and the middle of May, 1958, were opened and checked up only by the end of September, 1958. The show-room actually opened on the 30th October, 1958 and exhibits valued at Rs. 37,111 were displayed in it. According to the Audit Report the expenditure of Rs. 23,700 on rent from November, 1957 to end of September, 1958 must be regarded as largely avoidable.

The Mission, in addition, rented a residential flat, from 1st April, 1958, at an annual rental of Rs. 6,460 for an India-based Manager of the show-room, who had not arrived till February, 1959.

16. Explaining the position, the witness stated that it was difficult in a foreign country to get suitable accommodation immediately. Besides, renovation and decoration generally required six months to be completed. He did not think that the period for which the building remained unutilised could be curtailed by more than two months.

About the residential flat, the witness stated that at times it was cheaper to pay for a flat and keep it unoccupied for three months than pay for hotel accommodation.

Unnecessary blocking of funds in a Mission abroad and loss of interest thereon—para 23, page 22.

17. During the period from May, 1957 to September, 1957, sums amounting to Rs. 5,92,500 were placed at the disposal of the Indian Mission in Aden to meet expenditure arising out of the projected visit of some ships of the Indian Navy to that station. This amount included Rs. 3,91,600 on account of a particular ship, whose voyage was cancelled in July, 1957. After meeting the expenses connected with

the other ships, the unspent balance out of the above amount was about Rs. 5,08,500 in October, 1957.

Even though in September, 1957 the Mission was authorised to utilise the unspent balance to meet its running expenses, it could not utilise it as its monthly expenditure was small and kept the net balance of about Rs. 4,78,500 in a current account with a local bank resulting in loss of interest on the amount. Accordingly in October, 1957 the Mission asked for the instructions of the Naval Headquarters about the disposal of this amount, lying with it. The Mission was informed in February, 1958 that the unspent amount of Rs. 3,91,600 might be refunded to Government account.

18. In November, 1957, the Mission also pointed out to the administrative Ministry the desirability of transferring the amount from the local bank to an Indian Bank at the Station which was agreeable to keep the amount as an interest bearing savings account with facilities for the withdrawal of the whole amount at one time. The Mission awaited the instructions of the administrative Ministry (who, however, expected the Mission to have acted on the instructions of Naval Headquarters issued in February, 1958) until November, 1958 when the amount was transferred to a Savings Bank account under telegraphic instructions of the Ministry. The delay resulted in unnecessary blocking of Government funds and loss of interest estimated at about Rs. 9,200 at 2½ per cent. per annum for the period from November, 1957 to October, 1958.

19. The Committee were informed by the representative of the Ministry that foreign missions were under the administrative control of the Ministry of External Affairs but for reasons historical, the mission at Aden had been under the Ministry of Commerce and Industry. That had resulted in a lack of coordination as the copies of the orders endorsed by the Defence Ministry to the Mission were sent to the Ministry of External Affairs instead of to the Ministry of Commerce and Industry. The former Ministry took no action on the endorsement as they felt that the communication was for their information only. Steps had, however, been taken to ensure that whenever any such funds were placed at the disposal of the Mission for visiting ships, the balance after expenditure was remitted back immediately.

Khadi and Village Industries Board/Commission

Arrangements for running a Sales Emporium—para 22-A, page 20.

20. An Industrial Advisory Board set up by Government in February, 1953, opened in July, 1954, a Sales Emporium at its Headquarters, the management of which was entrusted to a registered Association, already engaged in similar trading operations of its own, at a net

remuneration of Rs. 1,000 per mensem. The Board concluded an agreement in July, 1954, with the Association which was not approved by Government which suggested some modifications. The latter were not acceptable to the Association. The Government decided on 26th August, 1957, in consultation with the Ministry of Law, that it was not necessary for Government to execute the revised agreement at that stage and it should be left to be completed by the Commission, after taking necessary legal advice. The revised agreement was executed by the Commission on 23rd June, 1959.

21. Explaining the justification for entrusting the running of the Bombay Emporium to a private Association, the Chairman of the Khadi Commission stated that the Emporium was planned on a somewhat ambitious scale with the aid of the General Secretary of the Association, which had a record of good experience in the work. Such Emporia at Delhi, Calcutta, Madras and Bangalore were, however, being run departmentally as there were no such Associations at those places as in Bombay.

22. About the working of the arrangements with the Bombay Association, the witness stated that it was advantageous to the Commission particularly when only Rs. 1,000 per month were paid in return for which the office bearers of the Association had to devote daily some of their time to the work of the Emporium.

23. When asked about the reasons for the Association not accepting Government's suggestion for representation of the Commission on the Board of the Association, the witness stated that the Association was prepared to associate 2 representatives of the Commission with the management of the Emporium. Whenever meetings were held concerning the work of the Emporium, the Commission was invited and its instructions were followed.

24. Next, the Committee enquired about the steps taken to mitigate the losses in the running of various Emporia. The witness stated that, generally speaking losses were incurred in the first five years of the opening up of an Emporium. To mitigate the losses, the Commission might have to reduce the expenditure on the staff and to push up the sales. Explaining the loss of Rs. 10,000 incurred by the Bombay Emporium for the year ending 30th June, 1956, he stated that there the subsidy allowed to *bhandars* and *bhavans* was not taken into consideration and the rent of Rs. 1,300 per month for the premises was excessive and they had not been able to get it reduced.

25. The Committee then enquired about the ratio of expenditure on administration as compared to the amount paid to the spinners of Khadi and whether with the rise in the price and sale of Khadi wages

of the spinners had risen correspondingly. The witness promised to submit a note to the Committee in this behalf.

26. When asked whether the Commission had explored the possibilities of export of *Khadi*, the witness stated that recently there had been enquiries from foreign visitors and the Commission was trying to follow it up. It had already entered into arrangements with the Handicrafts Marketing Corporation for that work.

Loans for the development of traditional Khadi, Para 22-B, page 20.

27. The Khadi Board was allotted funds aggregating Rs. 5,52,94,000 during the years 1953 to 1957 for granting loans, repayable within one year (and interest free from 1st April, 1955) to various private institutions engaged in the development of *Khadi*.

The total net amount of loans advanced to various institutions as on 31st March, 1957, was about Rs. 4.83 crores.

28. The receipt of audited statements of accounts and utilisation certificates, as prescribed by Government, in respect of the loans given to the various institutions got greatly into arrears and it was arranged in 1957 that the Board should get the accounts of the institutions checked by its internal audit parties and that this check should be completed by 31st March, 1959. Information regarding the completion of this check was awaited according to the Audit Report.

Pending finalisation of forms of agreement, interim undertakings only were obtained from the loanee institutions, according to which the institutions agreed to execute the agreement in the form prescribed by Government, when finalised. Although the form of agreement had been finalised in January, 1959, the formal agreements were yet to be executed in a number of cases.

29. The Committee enquired whether Government had taken a decision with regard to the rate of interest to be charged for advances to the Commission. The Secretary, Ministry of Commerce and Industry informed the Committee that a decision had been taken in the matter and he would submit to the Committee a copy of the letter that had been sent by Government to the Khadi Commission.

30. The Committee next drew attention to the recommendations made in para 20 of their Eighteenth Report (Second Lok Sabha) and enquired how far these recommendations had been implemented. The Chairman of the Khadi Commission stated that the work of the Khadi Board expanded rather rapidly and it took time to get the requisite machinery to cope up with the work. But at present a Senior Accounts Officer was in complete control of the Accounting System in the Commission. A Financial Adviser had also been associated with it. It was also being considered whether the F.A.

should be put in overall charge of the accounts to prevent the recurrence of irregularities. The Comptroller and Auditor General pointed out that there should be no delay in implementing the above proposal. The witness stated that he would discuss the matter with Audit and then report to the Committee.

31. When asked about the net amount outstanding against the various institutions, the Comptroller and Auditor General informed the Committee that it amounted to Rs. 179 lakhs. The Committee desired the Ministry to undertake a review of the system under which advances were made and suggest safeguards to avoid payments to the societies which delayed or did not send the accounts. Asked whether the utilisation certificates had been received from the various institutions, the Committee were informed that except for an item from an institution for Rs. 1,000, the utilisation certificates had been received. The witness also informed the Committee that it had been difficult for the Commission to get utilisation certificates from the statutory State Boards.

32. The Committee understood from Audit that out of 176 loan agreements to be executed as on 31st March, 1959, only 58 agreements were completed upto 11th September, 1959. They enquired the reasons for the delay. The witness informed the Committee that the position had improved since then and deeds for Rs. 3.13 lakhs out of Rs. 4.27 had been executed.

33. Next the Committee enquired about the measures taken by the Commission to see that money advanced to the States was spent for the intended purposes. The witness stated that that work was done through the zonal Directors of the Commission and of late, internal audit parties were also looking into this matter to ensure that the work was being carried on proper lines. Further, no consideration was shown to a defaulting institution. The Commission was also unhappy to see that because of the programme not being properly planned in advance, certain amounts remained unutilised for some periods with the State Boards. It was also not possible for the Commission to get the utilisation certificates from the States Boards in the same manner in which it could get or demand submission of accounts in the case of other institutions.

34. The Committee desired to be furnished with a note (a) discussing the feasibility of introducing greater direct control by the Commission over the State Governments in the matter of grant of the monies and to see whether these had been spent for the intended purposes and (b) whether the Commission was able to fulfil its main purpose of propagating Khadi under the existing arrangements.

Rebates on the sale of Khadi and Saranjam, Para 22-C—pages 20-21.

35. During a test audit of the accounts of the sanctioned rebates, it came to notice that—

- (i) rebates had been obtained on the basis of faked cash memoranda by 3 institutions from one of which the entire amount involved i.e. Rs. 989 had been recovered. In the second case, out of an amount of Rs. 9,246 overpaid, Rs. 3,232 have been realised by the sale of the stock of Khadi taken over from the institution. The third case is still under investigation.
- (ii) no refunds of rebates were being obtained by the Board in respect of 'sales returns'.

At the instance of Audit, Government issued instructions to the Board for effecting recoveries in all such cases. An amount of Rs. 56.976 had been recovered on this account upto 15th April, 1959, as a result of review of past cases and further review is in progress. A suitable procedure had since been introduced for automatically effecting such recoveries in future.

Asked about the steps being taken to detect cases of rebates on faked sales, the witness stated that the procedure was being changed in consultation with Audit. The Committee desired to be furnished with a note examining the measures to prevent loopholes in the procedure of payments to societies to prevent payment of rebates on faked sales.

36. *The Committee then adjourned till 10.00 hours on Tuesday, the 20th October, 1959.*

**PROCEEDINGS OF THE SEVENTEENTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY,
THE 20TH OCTOBER, 1959.**

37. The Committee sat from 10.00 hours to 12.55 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Pandit Jwala Prasad Jyotishi
4. Shri Radha Raman
5. Shri T. R. Neswi
6. Shri Raghubar Dayal Misra
7. Shri Vinayak Rao K. Koratkar
8. Shri Yadav Narayan Jadhav
9. Shri Shraddhakar Supakar
10. Shri Amolakh Chand
11. Rajkumari Amrit Kaur
12. Shri Rohit Manushankar Dave
13. Shri T. R. Deogirikar
14. Shri Surendra Mohan Ghose
15. Shri Jaswant Singh.
16. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor General of India.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Commerce & Industry

Shri S. Ranganathan, *Secretary.*

Shri V. Neelakanthan, *Managing Director, Sindri Fertilizers and Chemicals Ltd.*

Shri C. S. Shukla, *General Manager, Nahar Foundry Ltd.*

Shri K. L. Ghei, *Financial Adviser.*

Ministry of Finance (Department of Economic Affairs)

Shri A. R. Shirali, *Additional Budget Officer.*

NAHAN FOUNDRY LIMITED, NAHAN

Loans and advances—para. 50 of Audit Report, 1958, Page 52.

38. A loan of Rs. 4 lakhs was advanced by the Government in July/November, 1952, for which the Foundry was to issue debenture stock carrying interest at the rate of $4\frac{1}{2}$ per cent. per annum in favour of the President. It was, however, decided in August, 1947, to treat this amount as a repayable loan. A further loan of Rs. 3.5 lakhs was taken from Government in July, 1953, to meet the working expenses. The Foundry had made a proposal to the Government to convert the loan of Rs. 7.5 lakhs into share capital.

39. Explaining the reasons for the conversion of this loan into share capital, the representative of the Ministry of Commerce and Industry stated that though the profit of the Foundry in 1958-59 was expected to be about Rs. 1 lakh, this return was not considered adequate on a total paid up capital of Rs. 40 lakhs and, therefore, it was thought that if this loan was converted into share capital, the Foundry would be saved of the interest charges thereon and thereby the direct charge on the gross profit would be reduced. In reply to a question, the Committee were informed that the Foundry had made provision in its accounts for the payment of interest on the total loan of Rs. 7.5 lakhs taken from the Government.

40. The Committee in this connection referred to their earlier recommendation made in para. 33 of their 18th Report (2nd Lok Sabha) that the capital of the Foundry might be suitably reconstructed and written down in order that the Foundry might show

better working results in future and wanted to know the action taken thereon. The representative of the Ministry stated that as the entire share capital of the Foundry was owned by Government, the question of the writing down the share capital was still under the consideration of Government. He added that even in 1954, when there was a general valuation of the assets and an under-provision of depreciation to the extent of Rs. 5 lakhs was detected, instead of reducing the paid-up capital to that extent—which was considered to be a complicated and drastic step—the loss was transferred to a separate account to be written off from future profits. Therefore, the question of further reduction of capital in view of the revaluation of the assets merited much closer consideration and the matter would be decided in consultation with the C. & A.G.

41. When asked whether there was any proposal to have any other cost audit by the Cost Accounts Officer, the representative of the Ministry stated that it was not necessary and with the statistics available a satisfactory solution would be found out after discussion with the Comptroller & Auditor General and the Ministry of Finance.

The Committee, however, pointed out that it would not be proper to write down the share capital on the one hand, and then to convert the loans from the Government into share capital.

Large outstanding under loans & advances—para. 54 of Audit Report, 1959, page 52.

42. (i) A sum of Rs. 65,031 was due from a Co-operative Organisation in Uttar Pradesh on account of goods supplied to it about two or three years ago. It had not cleared the account in spite of the instructions issued to it by the U.P. Government.

(ii) For debts amounting to Rs. 5,47,201 due from private parties, arbitration awards for Rs. 1,02,976 had been obtained by the concern and filed with the concerned courts for obtaining decrees but only a sum of Rs. 4,855 had been recovered till March, 1958. A sum of Rs. 5,000 was provided for bad and doubtful debts in the accounts for 1957-58 making a total provision of Rs. 36,150 upto that date.

43. When asked whether the provision for bad and doubtful debts was considered adequate, the representative of the Ministry stated that a large amount of outstandings was recoverable from the persons to whom the crushers had been given on hire. Most of these outstandings had since been recovered and the balance of outstandings was only Rs. 2·77 lakhs. Therefore, the provision for bad and doubtful debts was considered adequate.

44. When asked what steps had been taken to recover the amount due from the co-operative organisation in U.P., the representative of the Ministry stated that as a result of his personal efforts, a sum of Rs. 24,000 had been collected from the co-operative organisation and the Ministry was hopeful of realising the balance also.

In reply to a further question, the Committee were informed that about Rs. 7,000 were due from persons now living in Pakistan.

45. The Committee then referred to the recommendations of the expert *ad hoc* Committee appointed by the Government to advise on the steps to be taken to modernise the Foundry and diversify its production with a view to making it a more economic unit and wanted to know the action taken by the Foundry to implement these recommendations. The General Manager of the Foundry stated that the recommendations of the *ad hoc* Committee had been split up into two stages for the purpose of their implementation. The first stage of development had almost been completed and equipment worth about Rs. 1,20,000 had been purchased, installed and commissioned. Equipment worth about Rs. 15,000 was being manufactured in the Foundry itself. As a result of this, it had been possible for the Foundry to increase its tonnage of castings. There had also been reduction in fuel due to higher melting rate achieved as a result of installation of two new modern cupolas. The Committee were also informed that the Foundry was undertaking the programme for diversifying its production and it had been able to secure orders from Railways and P. & T. also for its products.

SINDRI FERTILIZERS & CHEMICALS LTD.

Rated capacity not achieved according to the original estimates—para. 51 of Audit Report 1958—Page 53.

46. The factory was designed to have a rated capacity of 960 tons of Ammonium Sulphate per day with the use of seven compressors, with an additional one as a standby. The original cost of the plant and machinery was Rs. 12,04,11,500. A further sum of Rs. 25 lakhs was spent on certain modifications of the plant to correct imbalance in production. Despite this additional expenditure and the use of all the 8 compressors, the daily outturn of the factory was 906 tons only against the rated capacity of 960 tons. An additional expenditure of Rs. 50 lakhs was sanctioned in March, 1955 for the installation of a 9th compressor and certain other improvements to achieve a rated capacity of one thousand tons per day. The 9th compressor is now in use since August, 1956. The total expenditure incurred on the modifications of the plant upto the end of February, 1959 amounted to

Rs. 51,29,607. Some of the modifications were, however, still stated to be under way. Though an average daily outturn of 910 tons was achieved in 1957-58, the daily average production went down to 904 tons in 1958-59.

47. When asked why the rated capacity for ammonium sulphate could not be achieved, the representative of the Ministry stated that in the beginning considerable time was taken in overcoming the difficulties in the grinding section of the Gypsum Plant and in the filtration of the Sulphate Plant and the Ammonia Plant. Secondly, the down time of the equipments, i.e. the time during which the machine had to be kept idle for the purpose of servicing was practically more than allowed for. Thirdly, the factory had not been able to get good quality Gypsum. Originally, the plant was designed on the basis of the Pakistan Gypsum which was 90 to 92 per cent. pure. The Gypsum at present obtained from Rajasthan was only of 84 per cent. purity. Fourthly, the coke available for the gas plant was of inferior quality than the coke that was sent originally to the designers for the gas plant.

48. The representative of the Ministry, however, could not give any satisfactory reply as to why there was the decrease in the production of ammonium sulphate from 1957-58 onwards and as to why there was a variation in its monthly production. The Committee, therefore, desired to be furnished with a note in this regard.

49. The Committee then referred to the new gas plant installed at the Factory and enquired whether the Company was satisfied with its working. The representative of the Ministry stated that the plant was at present only making experimental runs and was working only upto 50 per cent. of its rated capacity but according to the advice of an expert the plant would eventually achieve its rated capacity. It was, however, admitted that due to the presence of naphtheline in the gases, the plant had to be stopped and the necessary purification of gases undertaken as a result of which the commissioning of the plant was delayed.

Extra expenditure on the purchase of coal for the Coke Ovens—para. 53(i) of Audit Report 1959—pages 49-50.

50. The Coke Ovens at Sindri consume annually about 3.85 lakh tons of selected 'A' grade and selected 'B' grade of coal, obtained from nearby collieries.

Upto March, 1957, the Tender Notices and the Purchase Orders provided that payments for the supplies would be made on the results of quality analyses carried out by the Company with regard to ash

and moisture content. All but two of the collieries accepted payment on the basis of the analysis reports of the Company. These two collieries refused to accept payment according to this formula on the ground that the quality of coal actually supplied by them conformed, according to their information, to the specifications of selected 'A' Grade as laid down by the Company, and that under the Colliery Control Order they were entitled to receive the full controlled rates of coal mined at their collieries without any abatement. They also threatened to suspend despatches if payment was not made according to the invoiced price based on the Colliery Control Order. The Company conceded on 2nd August, 1955 to the claims of these two collieries with retrospective effect from December, 1954 (when the collieries started supplying coal to the Company) though the results of the quality analysis, carried out by the Company, indicated that the supplies made were of a grade lower than invoiced for. No reference was made on this point of dispute to the Coal Commissioner.

51. According to bulletin No. 17, dated February, 1954 issued by the Coal Commissioner irrespective of the grading given to a colliery by the Coal Commissioner, it was the actual quality of coal despatched that should matter, if a colliery graded as selected 'A' despatched coal to a consumer who found on analysis that it was really Grade 'B' coal the consumer would be justified and within the law if he paid the price for Grade 'B' coal only. The above bulletin also conceded that a contract stipulation that the consumer would get the coal analysed in such manner as might be agreed upon and pay the price according to the grade in which the coal was found on analysis to fall, would be a fully legal condition.

52. Besides disregarding the above provisions, the Company ordered in May, 1957 that the payment to all the coal suppliers would be made on the Coal Controller's grading of the colliery and not on the analysis reports of the Company. Thus, the Purchase Orders issued from the beginning of the financial year 1957-58 did not contain any stipulation to the effect that payment would be on the results of analysis.

53. A test audit of the accounts of the coal purchases made by the Company for its coke ovens for two months in 1957-58 revealed excess payments to the extent of Rs. 47,300 and Rs. 57,300 respectively to the various Collieries for the supplies of lower grade of coal, as calculated from the results of analysis made by the Company.

54. When asked why were the claims of the two collieries conceded when the results of the quality analysis carried out indicated that the supplies were of a grade lower than that invoiced for, the representative of the Ministry stated that since these two collieries refused to be bound by the results of the analysis carried out by the Company and threatened to stop supplies if the Company persisted, the only course open to the Company was either to accept the conditions laid down by the collieries and take the coal or forego the supplies. As the latter course meant a possible break-down in production due to paucity of coal, there was little choice left at that juncture.

55. When asked why this matter was not brought to the notice of the Coal Commissioner who had the statutory authority to force any colliery to supply a particular quality of coal to a particular consumer, the representative of the Ministry stated that though the Company had brought this matter to the notice of the Coal Controller, it was not actively pursued. He expressed his regrets for their failure on the part of the Company. It was, however, stated that the Managing Director of the Company had a discussion with the Secretary, Ministry of Steel, Mines & Fuel and he would also discuss it further with the Coal Controller and the suppliers of the Coal so as to arrive at a satisfactory arrangement.

Delay in taking possession of acquired land—Para 51 of Audit Report, 1958, Page 54.

56. Out of about 300 acres of land acquired in February, 1952 valued at about Rs. 2,70,000 for which full compensation with interest was paid several years ago, about 200 acres were still (September, 1958) in the occupation of the old tenants.

57. Explaining the reasons for delay in handing over the possession of this land by the Bihar Government, the representative of the Ministry stated that the Bihar Government were finding it difficult to evict the tenants. At present there were only 116 acres of lands still to be handed over by the Bihar Government.

Extra expenditure incurred in the construction of electric repair and Instrument shop building—Para 51 of Audit Report, Page 54.

58. Due to repeated changes in the decision for the location of the Electrical Repair and Instrument Shops, the building constructed to

house these shops, had to be built in two stages resulting in an extra expenditure of Rs. 31,000.

59. The representative of the Ministry stated that the change in the decisions was due to divergent technical advice received by the Company.

Irregular appointment—Page 55, Para 51 of Audit Report, 1958.

60. Under the Articles of Association of the company, prior approval of the President is required for the creation of posts on pay of Rs. 2,000 p.m. or more. An appointment was, however, made on a pay of Rs. 2,200 p.m. in the scale of Rs. 2,000—100—2,500—125—2,750 with effect from the 11th September, 1954, while the President's approval was applied for on the 14th December, 1954. In according *ex-post-facto* sanction on the 18th May, 1955, the Government observed that they did not favour the idea that the pay of such posts should exceed Rs. 2,250 and that their prior approval to this particular appointment should have been taken and that the proposed scale of pay should be treated as personal to the present incumbent and not be taken as a precedent.

61. Explaining the reasons as to why prior approval of the President was not obtained for the appointment as required under the Articles of Association of the Company, the representative of the Ministry stated that though the matter was discussed informally, formal orders in writing were not obtained through oversight.

Payment of Compensatory Allowance in certain cases in excess of Central Government rates—Page 55, para 51 of Audit Report 1958.

62. The Company pays city compensatory allowance to their staff posted at Calcutta, but two of its officers were paid the allowance at Rs. 100 p.m. instead of Rs. 75 and Rs. 50 per month (the Central Government rates which the Company followed usually) from the 1st September, 1952 and 18th August, 1953 respectively.

63. The Committee were informed that the Central Government rates were not applicable to the Company automatically and the Board had the final authority to fix these rates. The incumbents had, however, since vacated those posts and the special rates of compensatory allowance had been discontinued.

64. In reply to a question, the Committee were informed that the Sindri Fertilizers Factory had got its own recruitment rules. The question of adopting the Central Government Service Conduct Rules (including recruitment rules etc) for the employees of the Company was stated to be still under correspondence.

Price preference to indigenous products—Page 55—Para 51 of Audit Report 1958.

65. The Factory allowed a price preference of 29 per cent to an indigenous firm on the quotation of the foreign firm F.O.R. Sindri for the purchase of Rasching Rings when the Government had accepted a price preference of only 15 per cent and upto 25 per cent to certain specified classes of stores for indigenous production.

66. Elucidating the reasons for the additional price preference, the representative of the Ministry stated that the price preference of 29 per cent was calculated on the basis of an import duty of $31\frac{1}{2}$ per cent. But from a document available later on (after the acceptance of the Audit para) it came to their notice that the import duty was $66\frac{2}{3}$ per cent. On this basis, the actual price preference worked out to only 6 per cent.

In reply to a question, the Committee were informed that this price preference had encouraged indigenous production and the prices of Rasching Rings had also been brought down.

Expensive arrangement for running light vehicles—Para 51 of Audit Report 1958, Page 56.

67. To secure better maintenance and longer life, each vehicle was placed in charge of a separate driver, entailing a large extra expenditure as it was considered to be more economical in the long run. The normal duty hours of a driver being only 8 hours a day each vehicle remained idle outside the duty hours of the driver. A large number of vehicles had, therefore, to be kept at a heavy capital outlay.

According to the Audit Report, the management held that this arrangement ensured the durability of the machine as each driver was held responsible for any damage to the car.

68. Giving the latest position, the representative of the Ministry informed the Committee that at present there were only two cars in charge of separate drivers. The other cars had been placed in a pool in charge of common drivers.

Damage to Gowai Barrage in September, 1953—Para 51 of Audit Report, 1958—Page 56.

69. A barrage constructed by the Company on the river Gowai for supplying water to the township and factory, was damaged on the night of 25th/26th September, 1953 during the monsoon. A departmental Committee appointed to report on the reasons for the damage, observed that there was no defect in the design of the embankment which was responsible for the damage; it was due to an error of

judgment on the part of some officials of the Company in impounding water during the monsoon period and in not opening the scouring sluices in time during the flood season. No disciplinary action was taken against the officials concerned except the administration of a warning to one of them. Another official was informed that the initial error of judgment on his part was deplorable.

70. When asked whether these warnings were recorded in the confidential rolls of the official concerned, the representative of the Ministry replied that these were recorded in their personal files.

Shortage of coke—Para 53(ii) of Audit Report, 1959—Page 50.

71. The stock of coke produced at the coke oven plant showed shortages which represented the difference between the tonnage of coke as per book balance and tonnage as per ground balance. It was explained to Audit by the Company that the Coke production figures were calculated by test weighing the daily production of ovens at specified intervals and so any error in the test weighment would result in a faulty estimate of the total annual production of all the ovens and that the correct weight could only be ascertained when a mechanical contrivance like a belt weigher was installed. The Ministry had asked the Company on 14th May, 1959 to examine this suggestion.

72. When asked whether the belt weigher for coke had been installed the representative of the Ministry stated that the belt weigher installed for the weighment of coal was not working satisfactorily. Therefore, the question of installing the belt weigher for coke was still under consideration on the basis of the report received from the experts.

73. In reply to a question as to whether the difficulties experienced by the belt weigher for coal could not be anticipated, the representative of the Company stated that they had no previous experience of that kind of belt weigher. The experts of the firm from which it was purchased had assured its satisfactory working. But the rigid conditions imposed for its accurate working could not be achieved in the ordinary working conditions.

Payment of heavy demurrage charges—Para 53(iii) of Audit Report, 1959—Page 51.

74. Demurrage charges to the extent of Rs. 93,858 and Rs. 3,02,344 were paid to the Railways during 1956-57 and 1957-58 respectively. The Management explained that every effort was being made to avoid demurrage but it was not possible to eliminate such charges altogether when mechanical tipplers went out of commission.

75. When asked whether the Company had got the additional tipplers, the representative of the Company stated that they had one tippler for the coke oven plant, one for the power house and two for gypsum. It was also stated that in case of prolonged break down the unloading was done by manual labour. But if the break-down was for a short period only, they preferred to unload the wagons only when the tipplers were put in order.

Appropriation of fees realised by the Medical Officers during hospital hours—Para 53 (iv) of Audit Report, 1959—Page 51.

76. Fees realised from non-entitled patients for treatment during hospital hours were wholly appropriated by certain Medical Officers of the Company under the orders issued by the Managing Director on 22nd June, 1955 which orders were not placed before the Board of Directors for confirmation.

77. When asked why the fees realised by Medical Officers during hospital hours had been appropriated by them instead of crediting it to the Company, the representative of the Ministry stated that the position had since been rectified and the Medical Officers had now been asked to remit to the Company a part of the remuneration realised by them from non-entitled patients.

Infructuous expenditure on training of a Technical Officer—Para 53 (v)—Page 51 of Audit Report, 1959.

78. A Technical Officer was sent abroad on 1st November, 1952 for receiving training and a sum of Rs. 16,042 on account of pay and allowances, kit and travelling allowances of the Officer was spent by the Company.

The Officer, however, left the service of the Company on 1st November, 1955, i.e., within one year of his return from abroad and the Company was left without a remedy owing to its failure to take from the employee an agreement for a minimum period of service or refund of the expenditure in lieu of such service.

79. The Committee were informed by the representative of the Ministry that the position had since been rectified and such agreements were now being obtained whenever the employees were sent abroad.

METHANOL PLANT AT SINDRI

80. The Committee then discussed some of the points arising from their on-the-spot study visit to the Company during September, 1959. The Committee saw a Methanol Plant at Sindri lying

Idle which was in operation at the well-known factory of M/s. B.A.S.F. at Oppau in Germany and was offered to India as part of the War Reparation. Besides expenditure incurred on transportation amounting to Rs. 7.5 lakhs, the company had spent about Rs. 5.6 lakhs on its maintenance. A fire occurred in the plant causing a loss of Rs. 1 lakh.

81. When asked why the Company had not thought of utilising the plant so far, the representative of the Ministry stated that they had asked for advice from a German consultant firm—the original makers of this plant—regarding its utilisation. But it was still awaited. In reply to a question whether the expenditure of Rs. 5.6 lakhs incurred on its maintenance by the Company was a legitimate charge on the Company the representative of the Ministry stated that the company had not yet claimed reimbursement thereof. He added that this plant could be utilised and the expenditure incurred on maintenance till it started functioning could be capitalised. The Committee could not get a satisfactory reply for the long delay in getting the expert advice. The representative of the Ministry, however, assured the Committee that steps would be taken to expedite decision on this case.

MINISTRY OF COMMERCE AND INDUSTRY—*contd.*

Appropriation Accounts, 1956-57 and 1957-58, Vol. II, Page 17, Para 10, note 3 and para 8, sub-head AI(4).

82. The certificates of utilisation of the grants-in-aid paid during 1954 to 1957 and 1955-56 to 1957-58 to the various State Governments and other private Institutions for the development of handloom industry and the Silk Industry respectively had not been furnished to Audit.

83. When asked what control was exercised by the Central Government to ensure that the grants-in-aid given by them were utilised by the States, etc. economically and for the specific purposes for which these were intended the representative of the Ministry stated that they were discussing this matter with the representatives of the States, Ministry of Finance and C. & A.G. to find out some satisfactory method in this regard.

In reply to a question, the Committee were informed that the Annual Reports on the working of the various autonomous boards etc. were now placed before Parliament as recommended by the Committee.

Coir Board—Administration—Appropriation Accounts 1956-57—Page 20, Note 21, sub-para (1).

84. An expenditure of Rs. 2,532-14-6 was incurred on taxi charges during the Industries Fair held at Delhi in December, 1955. Details

regarding the purpose of the journeys and the persons who utilised it were, however, not maintained.

85. The Committee were informed that the expenditure was incurred solely in connection with the Industries Fair. When asked in this connection why a log book was not maintained to keep an account of the details of journey, the representative of the Ministry stated that the Coir Board would be advised to maintain such a log book in future.

Measures for promoting sale and increasing consumption of coir and coir products in India—Appropriation Accounts 1956-57, Vol. II, note 21 (ii) page 20.

86. A stall was constructed at a cost of Rs. 10,500 and a further expenditure of Rs. 4,452-8-0 was incurred on its decoration, etc. The structure was dismantled after the Fair and disposed of through Government auctioneers in March, 1956 for Rs. 50 only. The amount, after deduction of commission of Rs. 10, viz was Rs. 40 was still to be realised from the auctioneers. The Committee were informed that the amount of Rs. 40 had since been realised from the auctioneer.

87. In reply to a question whether the amount realised from the auction sale of the structure was considered reasonable, the representative of the Ministry stated that under the rules they had to auction it and that too within a short period. They could not wait to get a better price.

88. When asked whether in view of a large number of exhibitions held it was not desirable to have some standard designs for the stalls being put by such Boards etc., the representative of the Ministry stated that in every exhibition the lay-out was completely changed and they had to put up structures of different shapes and sizes.

89. In another case, a sum of Rs. 1,500 was advanced by a department of the Union Government on behalf of the Board without security to a Guide on 8th November, 1955 for the purchase of iron stands for the display of coir mats. Two iron stands were supplied by him in June, 1956, 6 months after the close of the fair.

90. When asked as to why these stands were accepted, the representative of the Ministry stated that although the stands which were supplied late were not useful for that particular exhibition, they were useful for other purposes. He, however, added that this work was got done through the agency of the advertising consultants on a lump sum basis and that he had not been able to secure all the papers relating to this case.

Brochure.

91. In another case the Board incurred an expenditure of Rs. 559 towards the printing of an erratum of a single figure in a brochure

published in connection with the Industries Fair. The Secretary agreed with the Committee that the error could have been corrected by using a rubber stamp.

The representative of the Ministry agreed to look into all these irregularities and take such remedial measures as were considered necessary.

92. Before the Committee rose, they decided that further points arising from the Accounts relating to the Ministry of Commerce and Industry which they could not cover for want of time should be forwarded to that Ministry for furnishing written replies thereto.

93. *The Committee then adjourned till 10.00 hours on Wednesday, the 21st October, 1959.*

PROCEEDINGS OF THE NINETEENTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 21ST
OCTOBER, 1959.

94. The Committee sat from 10.00 to 13.05 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri T. Manaen.
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Radha Raman
6. Shri Rameshwar Sahu
7. Shri T. R. Neswi
8. Shri Raghubar Dayal Misra
9. Shri Vinayak Rao K. Koratkar
10. Shri Yadav Narayan Jadhav
11. Shri Shraddhakar Supakar
12. Shri Amolakh Chand
13. Rajkumari Amrit Kaur
14. Shri Rohit Manushankar Dave
15. Shri T. R. Deogirikar
16. Shri Surendra Mohan Ghose
17. Shri Jaswant Singh
18. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller and Auditor General of India*.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General*.

Shri S. Venkataramanan, *Accountant General, Central Revenues*.

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

***Present during examination of the Ministry of Steel, Mines and Fuel
(Department of Mines and Fuel)***

Shri S. S. Khera, *Secretary.*

Shri N. S. Mani, *Joint Secretary.*

Shri A. M. N. Ghosh, *Member (Technical), Oil and Natural
Gas Commission.*

Ministry of Finance

Shri N. N. Wanchoo, *Secretary.*

***Present during examination of the Ministry of Steel, Mines and Fuel
(Deptt. of Iron and Steel).***

Shri S. Bhoothalingam, *Secretary.*

Shri A. S. Bam, *Iron and Steel Controller.*

Shri C. V. Ramachandran, *Price and Accounts Officer, Iron
and Steel Controller's Organisation.*

Ministry of Finance

Shri N. C. Deb, *Additional Secretary.*

Ministry of Finance (E.A. Department)

Shri A. R. Shirali, *Additional Budget Officer.*

**MINISTRY OF STEEL, MINES AND FUEL (DEPARTMENT OF
MINES AND FUEL)**

95. The Committee first took up consideration of the Appropriation Accounts (Civil), 1957-58 Vol. XV relating to the Ministry of Steel, Mines and Fuel (Department of Mines and Fuel).

*Neyveli Lignite Corporation Ltd.—Page 28—Note 12—Sub-head B-2
(3)—Appropriation Accounts 1957-58 Vol. XV.*

96. The Operational Agreement No. 16—Project for exploratory Lignite Excavation was signed by the Governments of India and U.S.A. on 25th June, 1953 pursuant to the Technical Cooperation Programme Agreement between the two Governments dated the 5th January, 1952. It was followed by a supplementary agreement signed on 30th June, 1955 by the two Governments. The total joint cost of

the project which was estimated at \$ 748,500 and Rs. 29,00,000 to be contributed by the Governments of U.S.A. and India respectively has been reduced to \$ 651,321.79 by amendments signed on 27th April, 1957 and 18th June 1957. The Government of India contribution remained unchanged.

97. Explaining the scope and working of the agreement, the representative of the Department of Mines and Fuel stated that it envisaged the setting up of a pilot plant for conducting experiments in regard to briquetting and carbonising of lignite available at Neyveli with a view to designing the plant etc. required for utilisation of lignite on commercial scale. An aid amounting to Rs. 21,57,067 in the shape of equipment was received during the year 1957-58 and the pilot plant had been set up. As a result of the experiments conducted, specifications for the plant and machinery had been drawn up and tender notice therefor on global basis issued through the India Supply Mission, Washington. In reply to a question, he stated that the reduction in the foreign exchange component of the cost of the pilot project from \$ 748,500 to \$ 651,321.79 was due to revision by the T.C.M. authorities of the cost of the equipment to be supplied by them. But this did not affect the scope of the project.

98. As regards the prospect of mining of lignite, the representative of the Ministry stated that the overburden of about 8 million cubic yards out of total volume of 28 million cubic yards had been removed so far and the mine was expected to produce the targeted quantity of 3½ million tons of lignite annually by 1962. The thermal power station and the Fertilizer Plant which would utilise 1½ million tons and half a million ton of lignite, respectively were expected to be commissioned by August, 1962.

99. In reply to a question, the representative of the Ministry informed the Committee that the entire amount granted by Government to the Neyveli Lignite Corporation Ltd. during the developmental stage was being capitalised as share capital. The Comptroller and Auditor General held the view that in order to make the State Undertakings economical units, the capital invested in them should be partly in the form of debenture capital. The representative of the Ministry of Finance assured the Committee that in all Government Companies, some balance was being maintained between the share and loan capital and this principle would be followed in the case of Neyveli Lignite Corporation also.

Establishment of Synthetic Oil Plant—Page 27—Note 7—sub-Head A. 1(4)—Appropriation Accounts, 1957-58 Vol. XV.

100. The Committee enquired the present position regarding the establishment of the Synthetic Oil Plant.

The representative of the Ministry informed the Committee that on the advice of the Expert Committee, Government had given up the scheme for establishment of a Synthetic Oil Plant as such because of high cost of the Project (estimated at Rs. 51 crores). Government had decided to establish small units aiming at the production of domestic soft coke by low temperature carbonisation of the inferior grades of coal and utilisation of the bye-product tar for production of such synthetic fuels as would be possible. They had presently decided to undertake three such schemes at an estimated cost of Rs. 22 or 23 crores during the Third Plan period.

Oil Exploration Scheme—Page 27—Note 8—sub-Head A. 3(1)—Appropriation Accounts, 1957-58—Vol. XV.

101. The scheme included the formation of a Rupee Company in partnership with the Burmah Oil Company/Assam Oil Company for production and transportation of crude oil and setting up of two refineries in the public sector for refining Naharkotiya crude oil. The expenditure incurred by the Government of India on the appointment of consultants etc. amounted to Rs. 48,473 during 1957-58 and Rs. 12,02,350 during 1958-59 (upto the accounts for December, 1958). An agreement was executed on 14th January, 1958 forming a Rupee Company under the name and style of Oil India (P) Ltd. with 33 1/3 per cent Government participation and the remaining by Burmah Oil Company/Assam Oil Company.

The expenditure incurred by the Government so far (*viz.* Rs. 12,50,823) is recoverable from M/s Indian Refineries Ltd., the company set up by Government for control and management of public sector oil refineries.

102. The representative of the Ministry explained that the Oil India (P) Ltd., would only supply crude oil while the two refineries at Gauhati and Barauni would be set up by the Indian Refineries (P) Ltd., which was a Government Company.

103. The Committee wanted to know the considerations which weighed with Government in deciding the location of the two Refineries at Gauhati and Barauni *vis-a-vis* the advice of the technical experts in the matter, and whether it was necessary to set up two refineries for refining Naharkotiya Oil. The representative of the Ministry undertook to submit a note* to the Committee, on this subject.

104. The Committee then wanted to know the progress made on the projects undertaken for exploration of oil and gas in the coun-

*Since received. Not printed.

try both in the public and private sectors. The representative of the Ministry informed the Committee that a number of agencies were engaged on exploration work, one of them was the Standard Vacuum Oil Company (STANVAC), an American Company which had undertaken exploration work in the West Bengal basin. But the Company had not yet been able to strike oil or gas. The representative of the Oil and Natural Gas Commission stated that the STANVAC were proceeding too cautiously and attributed their slow progress to the commissioning of only one drill for exploring a large area of 10,000 square miles. The representative of the Ministry stated that the attention of the Company had been drawn to this aspect, who had invited a high authority on oil from U.S.A. for assessment of the data.

105. The representative of the Ministry added that the main Governmental agency for exploration of oil was the Oil and Natural Gas Commission which had been set up as a Statutory Corporation with effect from 15th October, 1959. The representative of the Oil and Natural Gas Commission informed the Committee that at Cambay, the area for exploration of oil was being defined and if the wells turned out to be on a commercial scale the industry would be up in the next three years. The result at test well No. 1 there had been encouraging. At Jwalamukhi where drilling was in progress for 2½ years, they had found a number of horizons one of which was tested and gave gas last year. The work had been delayed due to accidents which could not be prevented. He admitted that the results at Jwalamukhi had not been so encouraging. In reply to a question, the witness stated that the Commission had in all 8 deep drills (capacity 3,000 to 4,000 meters) 2 light drills (capacity 2,000 meters) and 4 structural drills (capacity 1,200 meters), and 2 more drills had been indented.

In reply to another question, he stated that the Indian technicians were recruited from the Universities and were imparted intensive training under the American and Russian technicians.

106. After some discussion on the subject the Committee desired to be furnished with a note* stating the progress achieved in exploration of oil and gas in the various oil drilling projects undertaken by Government of India, the results achieved from the working of the agreement entered into with the foreign collaborators and the expenditure incurred on each project upto 30th June, 1959.

107. The Committee then took up the examination of the Audit Report (Civil), 1958—Part I in so far as it related to the Department of Iron and Steel.

*Advance copy since received. Not printed.

**MINISTRY OF STEEL, MINES AND FUEL (DEPARTMENT
OF IRON AND STEEL)**

Audit Report (Civil), 1958

Revision of Agreement with Messrs. Krupps and Demag for the construction and operation of the Rourkela Steel Plant—Pages 1-2, para 4 of Introduction.

108. In pursuance of the policy of Government to give the foreign associates a financial stake in the industrial projects, in the agreement concluded with Messrs Krupps and Demag in 1953 for the construction and operation of Rourkela Steel Plant, they were required to take up 20 per cent. of the shares in the Hindustan Steel Ltd. subject to a financial ceiling (Rs. 10 crores approx.) There was no provision for payment of any interest on the share capital and the associates had, therefore, to rely on the profits made by the Company for a return on the equity capital they invested. This policy was subsequently modified and the German Associates were released from the obligation to contribute to the share capital of the Company.

109. The Committee wanted to know the reasons for the change of the original policy in this particular case. The representative of the Department of Iron and Steel stated that at the time the original policy was decided in 1953, the European money market was in a comfortable position and the foreign firms could invest in such concerns without any strain. By the year 1956, however, conditions in Germany—in fact in the whole of Europe and America—had hardened and the return on the investments in that country became quite high. According to the terms of the original agreement the German Associates were to invest a sum of Rs. 10 crores roughly by way of not receiving immediately the payment for the machinery supplied to the Company. They could repatriate the amount in 1962 (i.e. after 9 years) at a premium of 20 per cent. The firms had to raise money in Germany at a higher rate in 1956 and the return they would get from the Hindustan Steel Ltd. was uncertain. They themselves offered substantial reduction in the price of machinery if their participation in the share capital was not insisted upon. Government accepted this as in their opinion it was also advantageous to them from the financial point of view and also otherwise.

110. The Comptroller and Auditor General pointed out that the original policy in regard to the participation of foreign associates in the equity capital of concerns had two purposes in view viz. (i) securing economic construction and adherence to target dates of completion, and (ii) the economic operation of the installed capacity. With the reversal of this policy, Government had to spend more

foreign exchange which would otherwise have been provided by the foreign associates. Further, the Company had to buy equipment on deferred payment arrangements which involved extra payments (Rs. 13·5 crores) to the foreign firms. In reply to a question as to how the company satisfied themselves that the prices were not inflated earlier in order to allow for the reduction offered, the representative stated that it might have been possible.

The Comptroller and Auditor General pointed out that under the agreement there was a provision for calling of global tenders and there was no obligation to place orders in Germany.

111. Explaining the background of the system of deferred payment arrangements, the representative of the Ministry stated that these arrangements were not contemplated at the time of changing the agreement in 1956. The system was devised in 1957 because of acute foreign exchange position and covered the entire foreign exchange cost of the Rourkela Plant, resulting in postponement of all payments for three years at 6 per cent. interest. In this connection he apprized the Committee about two decisions recently taken by Government regarding the financing of the Hindustan Steel Ltd. in regard to its foreign exchange requirements. Firstly, the repayment of foreign exchange would be the liability of the Government and not that of the Company. The Company on their part would pay cash terms to Government out of the share and loan money granted by Government. Secondly, in order to put the Company on a sound footing, Government would not charge any interest on the loans advanced to it until 1962.

Outstanding dues from two main producers of steel—Para 36.

112. The selling price of steel (f.o.r. destination) supplied by the two main producers (TISCO and IISCO) to various allottees during the period 1st May, 1949 to 10th June, 1956 included an element of freight upto destination calculated at a flat rate per ton. The difference between the flat rate of freight and the actual freight for each consignment was to be recovered from or paid to the main producers as the case may be, by corresponding credits and debits to the Steel Equalisation Fund. The amount due to the Fund on this account is estimated by the Ministry to be about Rs. 1·5 crores as at the end of December, 1957, which was yet to be recovered from the producers.

113. In extenuation, the representative of the Department of Iron and Steel stated that neither the Iron and Steel Controller nor the main producers understood correctly until 1953 the implications of

the orders issued by Government in 1949 requiring recovery/adjustment of the difference between the provisional and actual freight charges, and they remained under the impression that no recovery was to be made. Intervening, the Comptroller and Auditor General stated that Audit had pointed out to the Iron and Steel Controller in November, 1951 about the non-recovery of difference in freight charges, and the latter made a reference to Government in this behalf in December, 1952. A clarification of these orders was issued by Government in 1953 that necessary adjustment was to be made. The representative of the Ministry, however, explained that during the period 1949 to 1953 the producers did not maintain a complete record of the goods despatched and actual freight charges from their works to the destination under the impression that no adjustment with reference to actual freight was to be made. The records in the Iron and Steel Controller's Organisation were also not complete. Because of the non-availability of complete records, a relaxed procedure on test check basis was devised in consultation with the Comptroller and Auditor General, but the producers did not agree to the figures calculated by the Department on the plea that the test-check related to the months favourable to Government. The Iron and Steel Controller was now negotiating with the producers for a bulk settlement of the outstandings.

114. When asked to explain the reasons for non-clearance of arrears for the period 1953 to 1956 and whether complete records for this period were maintained, the representative of the Ministry could not give a satisfactory reply. He, however, admitted that after the issue of the clarification of orders in 1953, recoveries should have been regularly made by the Iron and Steel Controller from 1953 onwards. The Committee were not satisfied with the manner in which the whole matter was handled by the Iron and Steel Controller.

Non-finalisation of 'advance' and 'on account' payments of subsidy to importers of iron and steel—para 37.

115. Under the scheme for equalisation of sale prices of steel, whenever the imported price of steel is higher than the controlled prices at which the main producers are required to sell it, the difference is paid as a subsidy to the importers from the Steel Equalisation Fund on production of original documents showing the actual imported prices together with the consignees' receipts for the steel delivered to them by the importers at equated rates.

Under the discretionary powers delegated by Government to the Iron and Steel Controller and his Accounts Officer on 28th April, 1954, the Department could allow *ad hoc* (advance) payments of

subsidy to the importers after satisfying themselves about the *prima facie* justification therefor without production of complete supporting documents. On 22nd November, 1957, Government further authorised the Department to make 'on account' payments to the extent *prima facie* admissible on the subsidy bills outstanding upto the period 30th September, 1957 after obtaining indemnity bonds from the importers.

During the course of audit of the accounts of the Fund, it was noticed that about 5,000 cases of 'advance' and 'on account' payments involving Rs. 20 crores approximately made from 1955 to April, 1958 were yet to be finally settled. The cases outstanding increased to 6,000 as on 31st March, 1959 involving about Rs. 28 crores. Further in a large number of cases advance payments had been made by subordinate officials without the approval of the competent authority.

116. Explaining the reasons for delay in clearance of the outstanding cases of 'advance' and 'on account' payments, the representative of the Ministry stated that the delay was mainly due to the difficulty in producing original documents by the importers regarding ocean freight and consignees' receipts. In consultation with the Comptroller and Auditor General, a method had been devised to accept collateral evidence from the importers in support of the ocean freight. As regards the consignees' final receipts, at one time they had sought the concurrence of the Comptroller and Auditor General for accepting collateral evidence as an experimental measure. But they were not pursuing this proposal as on examination of a few cases it had been found that collateral evidence was not cent per cent. reliable. He further informed the Committee that some progress had been made in clearance of outstanding bills. About 2,400 bills had been passed by the Iron and Steel Controller, 500 had been passed by Audit, 1,500 were lying with Audit and out of the balance of about 4,000 bills the Iron and Steel Controller had finalised 2,00 bills. The Comptroller and Auditor General pointed out that out of 3,400 cases reviewed by Audit, they detected 92 cases of overpayments amounting to Rs. 1,48,256 due to arithmetical errors in the bills. The representative of the Ministry admitted that such errors should not have occurred.

117. When asked to explain the justification for making payments by subordinate officers without the approval of the competent authority, the representative of the Ministry stated that during the absence of the Iron and Steel Controller and Price and Accounts Officer, who were the competent authority, payments were made by the officer next in rank but these were approved *ex post facto* by the competent authority. He admitted that it was a technical irregularity in the absence of a formal delegation of powers.

118. In reply to a question whether any firms, which had received payments of subsidy, had gone into liquidation, the representative of the Ministry stated that he was not aware of any such case. To a further question whether there had been any case where the importers after receiving advance payment of subsidy had sold the steel in black market at higher rates, he replied that no such case had been brought to his notice. He, however, quoted a case where an importer disregarded the order to despatch 5,000 tons of steel to Rourkela and sold it to other parties, which was under investigation. But in this case no subsidy had been paid to the importer. He expressed the view that the effective way to stop black-marketing in steel was to increase supplies. The Committee were assured that necessary action was taken as soon as a case of breach of Iron and Steel Control order came to notice.

119. *The Committee then adjourned till 10.00 hours on Thursday, the 22nd October, 1959.*

PROCEEDINGS OF THE TWENTY-FIRST SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY.
THE 22ND OCTOBER, 1959

120. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman.*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Radha Raman
6. Shri Rameshwar Sahu
7. Shri T. R. Neswi
8. Shri Raghubar Dayal Misra
9. Shri Vinayak Rao K. Koratkar
10. Shri Yadav Narayan Jadhav
11. Shri Shraddhakar Supakar
12. Shri Amolakh Chand
13. Rajkumari Amrit Kaur
14. Shri Rohit Manushankar Dave
15. Shri T. R. Decgirikar
16. Shri Surendra Mohan Ghose
17. Shri Jaswant Singh
18. Shri S. Venkataraman.

Shri A. K. Chanda—*Comptroller and Auditor-General of India.*

Shri A. Kalyanaraman—*Deputy Comptroller and Auditor General.*

Shri P. K. Sen—*Director of Commercial Audit.*

Shri P. V. R. Rao—*Director of Audit, F.R.S.C.S. & M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Steel, Mines and Fuel (Department of Iron & Steel)

Shri S. Bhoothalingam—*Secretary.*

Shri M. Ganapathi—*Resident Director, Rourkela Steel Project.*

Ministry of Finance

Shri N. C. Deb—*Additional Secretary.*

Shri A. R. Shirali—*Additional Budget Officer.*

121. The Committee took up further consideration of the Audit Report (Civil), 1958—Part I relating to the Ministry of Steel, Mines and Fuel (Department of Iron and Steel)—Hindustan Steel Limited.

MINISTRY OF STEEL, MINES AND FUEL

(DEPARTMENT OF IRON AND STEEL)

HINDUSTAN STEEL LIMITED

Audit Report (Civil), 1958

Revision of Estimates and Foreign Exchange Component—Para 53(a)—p. 59.

122. The original and revised estimates of the 3 Steel Plants given below showed an overall increase of Rs. 86 crores, in their present estimated cost:

	Original Estimates	Revised Estimates
Rourkela	Rs. 128 crores	Rs. 170 crores
Bhilai	Rs. 110 crores	Rs. 131 crores
Durg pur	Rs. 115 crores	Rs. 138 crores
	<hr/> Rs. 353 crores <hr/>	<hr/> Rs. 439 crores <hr/>

The revised cost of ancillaries for the three plants has been worked out as roughly Rs. 120.25 crores. The overall cost of the Steel Plants would thus be about Rs. 560 crores.

The overall increase in the foreign exchange component is Rs. 63.50 crores and constitutes about 74 per cent. of the basic increase of Rs. 86 crores in the cost.

123. The Committee enquired the reasons leading to the wide difference in the original and revised estimates of the Steel Plants,

particularly in the foreign exchange component. The representative of the Ministry stated that the original estimates were based on the first project report given by the Consultants before negotiations for setting up the plants were started. As a result of the negotiations, a number of changes were made in the projects. He added that at the time of framing the original estimates, certain items which were expected to be procured indigenously were not actually found to be available in the quantities required and these had to be imported.

124. Referring to the increase in the estimates of the Rourkela Plant, the Committee drew attention to the following reasons given in the note submitted by the Ministry to the Estimates Committee (Appendix XVII to the 33rd Report of the Estimates Committee):

Rs.

(in crores).

- | | |
|---|----------|
| “(i) Increase on account of increase in level of wages, prices of raw materials and freight between the date of estimates and the date of the tender. | .. 11.69 |
| “(ii) Difference between the revised estimates (based mostly on contracts concluded) and the estimates in the detailed project report (which was merely the Consultants opinion). | .. 13.94 |

Referring to the first item, the representative of the Ministry stated that there was a time-lag of more than a year between the framing of the original estimates by the Consultants and placing the contracts, during which period the rates of wages and prices of materials etc had increased in Germany resulting in increase of Rs. 11.69 crores on this account. As regards the second item, he explained that the increase of Rs. 13.94 crores was mainly due to under-estimation of the prices of certain equipments by the Consultants in their project report which was based on the market conditions then prevailing. He added that in the case of the machinery supplied by the Consultants, the variation from the original estimates was not so much as in the case of the machinery purchased from the other German firms. The Committee desired to be furnished with a statement showing the variations from the original estimates in respect of the machinery ordered from the Consultants and other firms respectively. In reply to a question, he stated that in the absence of global tenders for all units of the plant, necessary

precautions were taken to check up the prices quoted by the German firms on the basis of results of the tenders earlier invited in respect of the blast furnace and power station and enquiries made further.

In certain cases, he also added, they negotiated the prices ensuring deliveries of the various units coming from various suppliers fitted into an agreed time table.

125. As regards Bhilai Steel Plant, he stated that making allowance for the varying nature of the plants, they were at that time satisfied with the information available that the Russian prices which were quoted were favourable when compared to the prices which were being quoted in Europe.

126. As regards the estimates of the Durgapur Plant, the representative of the Ministry stated that the interval between the original estimates and entering into contracts was short. Secondly, when broadly finalising the nature of the plant which was somewhat different from the original plan, the consortium had made a quotation in January, 1956 subject only to 5 per cent. variation.

127. After some discussion on various other factors responsible for the increase in the estimates, the Committee desired to be furnished with the following information:

- (i) A note stating the reasons for wide variations between the original and the revised estimates of each of the three steel plants and why the factors which have led to the revision of estimates could not be foreseen.
- (ii) The revised final estimated costs for the three Steel Projects.
- (iii) The amount of increase due to (i) price 'escalation' clause, and (ii) interest on deferred payments.

Losses arising from delay in laying of railway tracks, unloading of wagons of plant and machinery—Para 53(b), p. 60.

128. Due to delay in laying of railway tracks and sidings in the Bourkela Plant area, serious delays in clearance of wagons of Plant and Machinery which began to arrive in large quantity from Germany from October, 1957 (1011 wagons) resulted in the Railways preferring upto 12th February, 1958 bills for Rs. 2,27,717 (including one for Rs. 1,44,000 for November, 1957) for demurrage charges. Moreover the Company has had to incur unnecessary and heavy expenditure on unloading the contents of wagons into a dump site and reloading and transporting them from the dump site to the contractor's storage sheds in the Plant area.

129. The representative of the Ministry admitted that there was delay in the formation of the site and laying of tracks which resulted in the hold-up of wagons. When asked whether similar difficulties were experienced in other projects, he replied that in Bhilai, Russians had provided for a huge storage area in anticipation of any delay in laying tracks, so that wagons were not held up. In the case of Rourkela, he added, that the planning was rather idealistic in that it envisaged the goods to be consigned to the erection sites right from the beginning. In reply to a question he stated that a sum of Rs. 1,16,000 had to be spent for transporting the goods from the dumping site to the erection sites. There were, however no cases of breakage of machinery in this process.

Extra expenditure on purchase of Electric Shovels—para 53 (c). pp. 60—62.

130. As a result of delay in placing the order for supply of 4 electric shovels required for Iron Ore Mines at Barsua on the lowest tenderer, who had quoted a price of Rs. 8,05,000 each in March, 1957 (raised to Rs. 9,30,548 on 8th July, 1957) orders had to be placed on 29th November, 1957 on another tenderer at a price of Rs. 10,80,000 (subsequently reduced to Rs. 10,08,000) as in the meantime the lowest tenderer had sold the shovels. Only one shovel was urgently required for site clearance at Rourkela. The Manager of the Iron Ore Mines had however on 22nd August, 1957 intimated that he did not require the shovels urgently and even the electricity required for working the shovels was not available at the Mines.

131. The Committee pointed out that this transaction revealed want of co-ordination and planning leading to an avoidable expenditure of about Rs. 4 to 5 lakhs. The representative of the Ministry explained that the National Coal Development Corporation, another State Undertaking, which had invited tenders earlier than the Hindustan Steel Ltd. purchased the four shovels from the lower tenderer. He added that both the N.C.D.C. and the H.S.L. purchased the equipments on deferred payment arrangements from the two tenderers and if the final prices paid by each under these arrangements were compared, the difference would not be much. Even assuming that there was some difference in the final prices, either of the State Corporations had to purchase the shovels from the second tenderer, there being no other offer. Intervening, the Comptroller and Auditor General pointed out that in view of the fact that as only one shovel was required urgently at Rourkela, the H.S.L.

and N.C.D.C. could have co-ordinated their requirements and distributed between them equitably the four shovels available at a lower price instead of competing with each other.

Delay in completion of Blast Furnace—Para 53(d), pp. 62-63.

132. The contract for the civil engineering work for the Blast Furnace and Steel Melting Shop was awarded on the 2nd February, 1957, to an Indian firm not only because of its low tender (by about Rs. 25 lakhs) but also on the consideration that it undertook to put into use extra plant and machinery to increase its capacity to enable it to strictly observe the prescribed time schedule. The firm was to work under the supervision of the foreign Blast Furnace Contractor who was to be paid a sum of Rs. 22·20 lakhs for preparing the designs for, and supervising the work on, civil engineering items.

The Indian firm, however, could not obtain sufficient plant and machinery to complete the work according to the time schedule with the result that the work fell into serious arrears. In order to expedite the progress of the work and to bring it into line with the time schedule of the foreign contractor the Company had to render certain assistance to the contractor which involved a total extra expenditure of Rs. 30 lakhs approximately to the Company. The difference of Rs. 25·50 lakhs between the lowest and next higher tender was more than wiped out, not to mention the fact that the work had considerably been delayed because of the lapses on the part of the contractor.

133. The Committee questioned the justification for selecting the contractor for the work who was not technically competent to execute it. The representative of the Ministry stated that neither of the two contractors who tendered for the job had previous experience of that type of work and sufficient equipment and machinery. There was not much to choose between the two tenderers in the matter of technical competence and Government thought that the marginal superiority claimed by the higher tenderer would not have justified the contract being given to him at the higher rates. On an assurance given by the lower tenderer to put into use extra machinery, Government decided to accept the lower tender. In reply to a question, he admitted that at one time the Technical Consultants had advised the Company not to accept the lower tender but Government had to weigh other considerations also in coming to a decision. They had actually negotiated with the higher tenderer also who agreed to reduce his quotation by Rs. 5 lakhs only, thus reducing the difference between the two tenders to Rs. 20

lakhs. In the end the Technical Consultants also agreed to the contract being awarded to the lower tenderer, he added.

134. The Committee then enquired the justification for assuming that the rate quoted by the contractor for shuttering work was inadequate and that he should be paid Rs. 13 lakhs extra to make up his short quotation. The representative of the Ministry stated that the extra expenditure related to the additional shuttering work which could not be foreseen at the time of calling for tenders and had not been envisaged in the contract. The Committee desired to be furnished with information as to why the additional work was not included in the original estimates prepared by the Technical Consultants.

Defective contract for Blast Furnace—Para 53(e).

135. In the original contract for supply and erection of the Blast Furnace plant at Rourkela for a lump sum of Rs. 1,02,37,500 and additional daily payment at tariff rates to the foreign workers, there was a stipulation that the cost of local labour would be borne by the Company. A sub-contract was awarded to an Indian Contractor (acceptable to the foreign firm) for this purpose for Rs. 48.54 lakhs. The sub-contract was an erection contract on a tonnage basis and included cost of supervision of erection by the sub-contractor as also his element of profit, although the supervision was the liability of the foreign contractor who was being paid Rs. 1 crore in lump sum for the complete job. The original contract with the foreign firm containing the stipulation that the cost in respect of Indian labour (about 1,000 in number) would be borne by the Company, was apparently vague and defective, since no indication was given in it regarding the division of labour, both skilled and unskilled categories or of the ceiling rates to be paid to such workers or who would supervise the work of this labour etc.

136. In extenuation, the representative of the Ministry stated that in this case the Company took a practical decision in awarding the sub-contract. In the original contract, the obligation of the Company was to provide the foreign firm with the number of workers required for the job, which was estimated to be 1,000. The actual work of erection was done under the supervision of the German erectors because the responsibility for alignment and for seeing that every thing was being done properly under "plant works", was theirs. Had the Company not awarded a sub-contract and taken the responsibility for supplying the required number of persons, they would have had the obligation to accommodate them besides supervising whether every man was fully employed. In

order to avoid these difficulties, the Company considered it better to limit the area of their responsibility by awarding a sub-contract on tonnage basis.

137. The Comptroller and Auditor General informed the Committee that a sum of Rs. 74,000 paid to the sub-contractor on account of supervision of erection had been recovered from the foreign firm *Contract for the Foundations and Civil Engineering Work for Rolling Mills—Para 53(g), pp. 66-67.*

138. Five tenders—three for part work and two for the entire work—received for preparing the foundation and civil engineering work, estimated to cost Rs. 6 crores in the Hot and Cold Rolling Mills, were not found acceptable. The basis of the contract which originally provided for item rates was changed and a cost contract with a target sum plus fixed overheads plus a fixed fee (costing in all Rs. 7.79 crores) was actually entered into by negotiation in November, 1957 with another firm which had not tendered originally and the contract with this firm also provided for variations of the target price under certain conditions and a period of 36 months was allowed for completion of the work (instead of 16 months allowed in the first tender). This firm consisted of two partners, one of whom (holding a 60 per cent. share) was himself a consultant of the Company.

Hire charges amounting to Rs. 50 lakhs plus Rs. 10 lakhs for spares and Rs. 15 lakhs for labour and supervision of repairs (or about Rs. 75 lakhs in all) were payable by the Company on account of machinery employed by the firm, estimated to be worth about Rs. 60 lakhs.

139. Explaining the reasons for changing the terms of the contract to 'cost' and 'target', the representative of the Ministry stated that considering the size of the work, it was not possible to determine the actual volume involved in spite of detailed drawings. It was in the best interests of the project to enter into a 'cost' contract in such a case which had the effect of not inflating the overheads in case of increase in the quantity of work. The Committee enquired the reasons for not inviting fresh tenders for the contract on changed basis and stipulating extension of time-limit from 16 to 36 months. The representative of the Ministry stated that this was not done due to loss of time of about 4-5 months involved in the process. Further they negotiated on the basis of the prices quoted in the tender in the first instance.

140. The Committee objected to the principle of a consultant becoming a partner of the contracting firm in this case. In extenu-

ation, the representative of the Ministry stated that the consultant on joining the contracting firm as a partner resigned from the consortium of the consultants who were preparing designs for the project. He added that a good deal of designing by the consultants had already been done at that stage.

141. The Committee then asked the justification for paying hire charges amounting to Rs. 50 lakhs for the depreciated machinery originally costing about Rs. 60 lakhs, in disregard of consultants' recommendation to purchase such machinery. The representative of the Ministry stated that as it was not possible for the Company to purchase in time all the machinery required, they decided to hire the machinery. The hire rates paid for the machinery were in his opinion quite reasonable. In reply to a question, the Resident Director of Rourkela Project stated that all the items of machinery except the crusher which arrived in January, 1958, were available for service in time. To another question he replied that roughly 30 per cent of the machinery remained idle during the course of construction. He, however, added that the machinery was being used for two shifts, although the hire charges were based on 8-10 hour working day. When asked whether the work would be completed according to the time-schedule, the Resident Director stated that although the volume of work had increased by 30 per cent since the award of the contract, it was expected to be completed by the 30th September, 1960 as originally planned.

Supply of limestone—Para 53(i)—Page 68

142. Due to delay in negotiating an agreement for supply of limestone with a private firm having quarries lying within a few miles of Rourkela, their entire output was booked to the two leading established steel manufacturers. A sum of Rs. 4½ lakhs was sanctioned by the Company in May, 1955 for investigating alternative sources of procurement of limestone. It was estimated that the capital expenditure on limestone quarrying scheme would be of the order of Rs. 2 crores which would take more than 2 years to yield full production required for the Project.

143. The Committee enquired the existing arrangement for the supply of limestone for the plant at Rourkela as also the progress made in the investigation of alternative sources of its procurement. The representative of the Ministry stated that at present supplies of limestone were being received from the quarries in Birmitrapur owned by a private firm. The Company's scheme for mining limestone in Hathibari was still under execution and it was expected to produce full blast furnace requirements within a period of 15 months. They were also investigating other sources of supply of

limestone. In reply to a question the Resident Director stated that the limestone supply from Hathibari quarries was expected to meet the requirements of the Rourkela plant for 25-30 years.

Production of pig iron at Rourkela Plant.

144. The Committee then drew attention to the production of pig iron at Rourkela Plant being behind schedule as compared to the Bhilai Plant where the production had exceeded the rated capacity. In extenuation, the representative of the Ministry stated that the shortfall in production at Rourkela Plant was due to teething troubles with pig iron casting machine, which did not at first tilt properly and after removal of this defect the moulds started to crack. The Resident Director stated that at Rourkela as only a smaller quantity of pig iron viz. 40,000 tons per year was planned to be produced, they had set up a single casting machine, while at Bhilai and Durgapur where production of pig iron was planned at 3 lakh tons a year each duplicate machine had been provided which could be operated in case one went out of order. Further, the blast furnace at Rourkela having been commissioned ahead of the steel melting machine, its entire capacity could not be utilised by a single casting machine.

IRON AND STEEL CONTROLLER'S ORGANISATION

Audit Report (Civil), 1959

*Grant of special advances to two main steel producing companies—
Para 62.*

145. The Committee enquired whether the Tariff Commission had since submitted a report regarding the rate of interest to be charged from 1-7-1958 onwards from the two main steel producing companies which had been granted an interest-free advance of Rs. 10 crores each from the Steel Equalisation Fund till 1st July, 1958. The representative of the Ministry stated that the report of the Tariff Commission had been received and the Government orders thereon were expected to be issued shortly.

146. Before the Committee adjourned, they decided to appoint a sub-Committee to examine the working of the (i) Steel Equalisation Fund, (ii) Iron and Steel Controller's Organisation etc. with reference to the Audit Paras relating thereto.

147. *The Committee then adjourned till 10.00 hours on Friday, the 23rd October, 1959.*

(b) No details were made available to Audit in regard to the special entertainment grant of Rs. 4,500 drawn by the officer in March 1958, nor was the approval of the Head of the Mission or Government obtained as to the quality and quantity of entertainment, the guests to be invited as required under the rules. Similarly no details were available in respect of a sum of Rs. 736 drawn by the officer as entertainment grant for the year 1956-57.

(c) The cash book was not properly maintained nor was it reconciled with the monthly bank statement. The reconciliation carried out in October, 1958 at the instance of Audit revealed that a cheque for Rs. 2,267 issued by the Mission to the Tourist Office in recoupment of its imprest had been credited to the Officer's private Account.

(d) A sum of Rs. 560 was charged by the Officer to Office contingencies in March 1957 for printing his personal visiting cards.

150. In evidence, referring to item (i) above the representative of the Ministry explained that the accommodation in question was acquired in preference to other cheaper premises on account of its location. The Head of the Indian Mission had examined the other offers and rejected them as the places were not situated in localities suitable for the tourist office. At the time of acquiring the premises it was intended that the Indian Mission would occupy a portion thereof. Subsequently, however, the Mission abandoned the idea because of the distance of the building from its main building. This decision was taken by the Indian Mission only in 1959. It had since been decided to hand over the present premises to Air India International in exchange with theirs as they were located in a smaller building and were looking for bigger accommodation. The Committee desired to know the reasons why the Indian Mission changed their earlier decision to utilise the surplus accommodation in the premises of the Tourist Office and also the reasons for the delay of three years in taking that decision. It was suggested that the information might be obtained from the Ministry of External Affairs.

151. With regard to item No. (ii) the representative of the Ministry explained that the renovations and decorations were originally estimated at a cost of Rs. 1.50 lakhs which was subsequently reduced to Rs. 1.20 lakhs. Although a sum of Rs. 75,000 only was sanctioned for the year 1956-57 it was not stipulated that it would be the final amount required for the purpose. It was for that reason that a further amount of Rs. 35,000 was sanctioned during the year 1957-58. It was, however, admitted that the officer had exceeded his powers. For this and other irregularities committed by the officer he had been served with a charge-sheet and his explanation was

under examination by Government. The Committee enquired why in the face of so many grave irregularities committed by the officer he had not been placed under suspension. The Secretary to the Ministry of Transport and Communications stated that an enquiry into the alleged irregularities was in progress and in case his suspension was warranted by the enquiry, it would be considered.

152. As regards the delay in completing the enquiry it was stated that files and papers had to be called for from the foreign country. At first some of the files were reported to be missing but all papers relevant to the enquiry had been traced. It was expected that the enquiry would be completed by the end of 1959.

Construction of an oil jetty—para 41 of Audit Report, 1958.

153. A new Oil Jetty was completed in November, 1955 at a cost of Rs. 17.57 lakhs as a part of Kandla Port Project. Two oil tankers were berthed in this jetty in November and December, 1955. The second tanker, however, broke adrift due to unfavourable direction of tidal conditions and the wrong alignment of the jetty. Since then the oil companies have refused to use this jetty. The investigation by the Development Commissioner established that there was a mistake in the designing and construction of the jetty and an extra-expenditure of Rs. 5 lakhs would be necessary to make it usable. In March 1958, Government appointed a Committee of experts to examine the further course of action regarding the new jetty and also the question of responsibility for any infructuous expenditure.

154. In evidence, the Committee were informed that the Committee of experts submitted their report in April, 1959 a copy of which was sent to Audit on the 22nd October, 1959. The Committee decided to defer consideration of this case till the receipt of the comment of Audit on the report of the expert Committee.

Excess payment to a contractor—para 39 of Audit Report, 1959.

155. The detailed estimate for the construction of a road in a frontier area included two specific items of work viz., (i) jungle cutting etc. at the rate of Rs. 2/8/- per 1000 sft, and (ii) cutting and removing bamboo clumps or digging out roots etc., at the rate of Rs. 6/8/- per 100 sft. The road construction work was awarded to a contractor in December, 1954 at the above rates plus 15 per cent. but in the agreement the nomenclature of the second item was altered and made to read as 'cutting and uprooting and clearing bamboo clumps or cane clumps'. Neither the estimate (as approved by Government) nor the local schedules of rates provided a rate for cutting and removing cane clumps as distinguished from bamboo clumps. On certain objections being raised in January, 1956 the

Additional Chief Engineer in June, 1953 changed the nomenclature of the second item as 'cutting and uprooting and clearing bamboo and cane jungle' and sanctioned a rate of Rs. 2/8/- per 1,000 sft. plus 15 per cent. extra for it. The final bill prepared on the basis of the substituted rate showed that a sum of Rs. 1,07,169 had been paid in excess to the contractor. In evidence the Committee were informed that the mistake was detected when the payments made for this part of the work exceeded the estimated amount. The Additional Chief Engineer after certain investigation and enquiries from the Forest Department about the general growing in the area came to the conclusion that the type of work should have been paid at the lower rate. The contractor had neither accepted the substituted item in the agreement nor the relevant measurements recorded in the final bill. The matter had been referred to arbitration.

HINDUSTAN SHIPYARD (P) LIMITED

Para 54 of Audit Report, 1958.

156. The Hindustan Shipyard was continuously incurring losses since 1952-53. In 1956-57 the loss amounted to Rs. 3.69 lakhs. The following factors about the working of the Shipyard were pointed out by Audit.

(i) Construction of Ships without proper contracts

No regular contracts were executed for the ships under construction as well as those delivered during June, 1955 to December, 1956. The prices of some of these ships were reported to be under dispute.

(ii) Defects in plans and designs of ships

When the construction of a passenger-cum-cargo vessel required by the Eastern Shipping Corporation was nearing completion, it was found to be lacking in stability and unfit for delivery. Because of these defects the Corporation cancelled its order for a second ship already placed with the Shipyard. Another survey vessel for the Calcutta Port Commissioner could not be built according to designs and particulars furnished by the consulting engineers of the Port Trust without a considerable loss of dead-weight. The additional cost involved in removing the defects resulted in a loss to the Shipyard. Similarly a launch constructed for the Central Excise Department, Madras, lacked the requisite speed. The rectification of the defects and replacements, etc. resulted in a loss of about Rs. 1.11 lakhs to the Shipyard.

(iii) Apprehended losses due to postponement of the construction of the Dry-Dock

In 1954 the Shipyard was asked to commence the work of construction of Dry-Dock and Government agreed to finance the scheme by a loan of Rs. 2·15 crores over a period of 5 years. In January, 1957, however, Government decided not to allot funds for the work owing to financial stringency. Meanwhile the Shipyard had already incurred an expenditure of Rs. 1,32,640 on soil investigation and establishment, etc. and entered into commitments worth Rs. 11·25 lakhs.

157. In extenuation of the losses incurred by the Hindustan Shipyard the representative of the Ministry of Transport and Communications stated that although Government was subsidising the construction of larger vessels at the Shipyard, losses incurred by it in the construction of small ships remained uncovered. The Shipyard had consequently discontinued construction of smaller ships. In the year 1958-59 the losses were mainly due to demolition of certain buildings in connection with implementation of development programme and provision for obsolescent material. The Managing Director apprised the Committee of the various steps being taken by the Shipyard to reduce the cost of construction of ships. The progressive expenditure was being kept under close watch and the workers were being fully employed by ensuring proper planning and procurement of material and settlement of plans and specifications with the indentors before commencement of work.

158. During their on-the-spot study visit to the Shipyard on the 30th September, 1959 the Committee were given to understand that the time schedule for construction and delivery of ships could not be maintained due to frequent changes in the plans and specifications suggested by the shipowners. The Managing Director of Hindustan Shipyard stated that this difficulty had since been overcome. The Shipyard was now concentrating on the building of only two types of large vessels for which it had complete designs. A formal agreement with the indentors was also being entered into as far as possible before commencement of work in each case.

159. With regard to the losses suffered by the Shipyard due to defects in the plans and designs of three ships referred to in the Audit Report, the representative of the Ministry of Transport and Communications informed the Committee that the question of fixing responsibility on the Technical Consultants was still under correspondence with them.

160. The construction of a Dry-Dock had been accepted as an essential item for the development of the Shipyard and the Visakhapatnam Port; but due to the difficult foreign exchange position the scheme would not be taken up during the Second Five Year Plan period.

Audit Comments on the accounts of Visakhapatnam Port—Notes 4 and 7, page 108 of Appropriation Accounts (Civil), 1957-58, Vol. XVI.

161. The representative of the Ministry of Transport and Communications promised to furnish notes to the Committee regarding (i) recoupment of the interest free loans granted by Government to the Port and (ii) introduction of the method of providing for depreciation on the Cochin Model by the Visakhapatnam Port.

Excess payment and infructuous expenditure in construction of a porter track—Note 6, page 2, Appropriation Accounts (Civil), 1957-58, Vol. VI.

162. The Committee enquired about the result of investigation conducted by the Special Police Estt. The Secretary to the Ministry promised to furnish a written statement to the Committee.

163. *The Committee then adjourned to meet again at 10.00 hours on Saturday, the 24th October, 1959.*

PROCEEDINGS OF THE TWENTY-FOURTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY,
THE 24TH OCTOBER, 1959

164. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Rameshwar Sahu
6. Shri T. R. Neswi
7. Shri Vinayak Rao K. Koratkar
8. Shri Yadav Narayan Jadhav
9. Shri Shraddhakar Supakar
10. Shri Amolakh Chand
11. Rajkumari Amrit Kaur
12. Shri Rohit Manushankar Dave
13. Shri T. R. Deogirikar
14. Shri Surendra Mohan Ghose
15. Shri Jaswant Singh
16. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri A. Kalyanaraman, *Dy. Comptroller and Auditor General of India.*

Shri P. K. Sen, *Director of Commercial Audit, New Delhi.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Transport & Communications (Department of Communication & Civil Aviation)

Shri M. M. Philip, *Secretary.*

Shri D. C. Das, *Joint Secretary.*

Shri K. M. Raha, *Director General Civil Aviation.*

Shri P. J. Rodgers, *Director General Overseas Communications Service.*

Shri S. S. Shiralkar, *Financial Adviser (c).*

Air Commodore P. C. Lal, *General Manager, Indian Airlines Corporation.*

Ministry of Finance (Department of Economic Affairs)

Shri A. G. Krishnan, *Under Secretary.*

MINISTRY OF TRANSPORT AND COMMUNICATIONS

(DEPTT. OF COMMUNICATIONS AND CIVIL AVIATION)

Losses, writes off, etc.—Note 3, page 77, Appropriation Accounts (Civil), 1957-58, Vol. XVI.

165. A loss of Rs. 41,578 due to caking of cement by long storage in a C.P.W. Division was written off by Government in October, 1957. In extenuation of the circumstances leading to the loss, the representative of the Ministry of Transport and Communications stated that orders for about 8,800 tons of cement required for two works (pending formal approval of Government) at Dum Dum Air Port were placed on the D.G.S., & D. in November, 1947. About 4,463 tons of the material was received in instalments during the period April to September, 1948; but the work commenced only after November, 1948. During the intervening period owing to abnormal monsoon conditions (humidity as well as leakage in the roof of the store room), the cement deteriorated. In May, 1948 efforts were made for the diversion of the supplies of cement to Lucknow and other places where it could be utilised; but the request was not agreed to by the Railway Administration. The Hon. Cement Adviser was also approached in November, 1949 to permit the sale of cement in stock but he gave permission for the sale of 60 tons only. The Committee desired to know the dates on which the supplies of cement were received and the arrangements made for its storage and upkeep. They also enquired the date on which the caking of cement was first noticed and the measures taken by the administration to improve the condition of storage thereafter. The witness could not

give a satisfactory answer but promised to furnish a written statement. The Committee also asked the Financial Adviser to the Ministry of Transport and Communications to furnish a note for their information stating the reasons which led Finance to sanction the write off of the entire loss on this account.

Infructuous expenditure on watch and ward and non-recovery of ground rent—Note 4, page 77, Appropriation Accounts (Civil), 1957-58, Vol. XVI.

166. In 1940, a piece of land was acquired by Government to provide a temporary extension to an aerodrome. As there were some private buildings on the site, a portion of the land was leased out to the owner of the buildings initially for 5 years. Piecemeal renewals of lease were sanctioned upto March, 1949. One of the conditions of the renewal granted in 1947 was that the lessee should, if so required, remove the buildings and structures owned by him and deliver the land to Government in usable condition without any compensation. In January, 1950 Government proposed to enhance the rent, which the lessee did not accept and did not pay. In 1952, Government decided to purchase from the lessee the building etc. for Rs. 33,574 on the basis of the then estimated market value and to adjust this price against the arrears of ground rent due from the lessee. The building was taken over in November, 1952, but was not put to any use until July 1958 when it was ultimately decided to demolish it. The work of demolition was completed on 4th March, 1959. Meanwhile, an expenditure of Rs. 5,958 was incurred on watch and ward upto January 1959.

167. In evidence, the Committee were informed that in order to eject the lessee from the land and to recover the arrears of rent from him, legal proceedings were necessary, which would have been a time-consuming process. It was, therefore, decided to purchase the building and adjust the price thereof against the arrears of rent. Further, in view of the acute shortage of residential accommodation in Bombay it was then considered that the building could be allotted to the employees of the Air Corporation for residential purposes. This proposal, however, did not materialise as the staff refused to occupy the premises, which lacked essential amenities like kitchen and bathrooms. The representatives of the Ministry of Transport and Communications admitted that the wishes of the employees had not been ascertained before purchasing the buildings.

Losses, writes off etc.—Note 7, page 53, Appropriation Accounts (Civil), 1957-58, Vol. XVI.

168. A Section Officer of an Aviation Division was robbed, on the night of 12th May, 1954, at his residence of a sum of Rs. 1,212 repre-

senting the undisbursed pay of work-charged staff. The police could not trace the culprits. The loss was written off by Government in July, 1957.

169. In evidence, it was stated that a departmental enquiry was held to fix responsibility of the Section Officer and to find out whether the money should be recovered from him; but the officer was not considered to be at fault. The C. & A.G., however, pointed out that under the rules, where a safe is not provided in the office, officers are required to deposit Government money in the nearest police station. The Section Officer had overlooked this rule.

Losses, writes off etc.—Note 4, page 33, Appropriation Accounts (Civil), 1957-58, Vol. XVI.

170. Irregular payments amounting to Rs. 6,189 of rotary duty allowance were made to the staff during periods of leave in the years 1949 to 1954. The recovery was waived by Government in February, 1957.

171. The representative of the Ministry of Transport and Communications explained that under the rules of the Company rotary duty allowance (compensation for working in shifts) was admissible to certain categories of employees like telegraphists etc. even for leave periods. This practice was continued even after the terms and conditions of service of the employees were revised by Government.

Financial Review and Proforma Accounts of the Overseas Communications Service—Note 5, page 34, Appropriation Accounts (Civil), 1957-58, Vol. XVI.

172. Certain equipments valued at about Rs. 1,68,900 initially loaned to Burma Government were subsequently treated as a final sale. The Committee were informed that full payment had been received from Burma Government on this account.

INDIAN AIRLINES CORPORATION

Losses in working sub-para (ii) of para 55, Audit Report, 1959.

173. The Indian Airlines Corporation was continuously incurring losses since it was formed in August, 1953. Although from 1956-57 onwards there was a slight improvement in the working results, on a majority of its services the Corporation was still incurring losses and in a substantial number of cases even the direct cost was not recovered. All the freighter services were running at a loss which amounted to Rs. 19·48 lakhs in 1956-57 and Rs. 18·09 lakhs in 1957-58

174. Explaining the conditions of working of the Indian Airlines Corporation, the C. & A.G. stated that like all other countries, Government of India was giving subsidies to the Airlines Corporation. Formerly this aid was given in the form of a drawback on aviation spirit; but it was considered more appropriate to present a correct picture of the working of the undertaking and thereafter grant direct subsidies with the approval of Parliament. He also pointed out that in certain cases the Corporation had to operate on uneconomic lines at the instance of State Governments. The question whether the State Governments concerned should share the losses on these operations was under examination of Government.

175. In extenuation of the losses incurred by the Corporation on the freighter service, the General Manager, I.A.C., stated that the bulk of their operations related to the transportation of jute, tea and other consumer goods between Calcutta and Assam and Tripura, where other means of transportation were not adequate. With a view to encouraging the export trade of these commodities, the freight rates were kept very low, which did not cover even the working expenses. To a question how the private Air companies operating in the area were making profits, the General Manager gave the following reasons:

- (i) The over-head charges of the Corporation were greater than private operators.
- (ii) The Corporation provided more amenities to its customers.
- (iii) The type of aircraft used by the Corporation in these services (Dakota) was uneconomic.
- (iv) The private operators carried goods as well as passengers in their planes.
- (v) The private operators did not charge any fixed rates; and
- (vi) The private operators at times also resorted to un-authorised practices like over-loading of planes, etc

Staff in excess of the normal standards--sub-para (iv) of para 55 of Audit Report, 1959.

176. There had been a progressive increase in expenditure on staff etc. The number of employees in the Corporation increased from 7,449 in 1953-54 to 9,448 at the close of 1957-58. A firm of efficiency experts employed by the Corporation in 1955 had reported that in the Engineering and Stores Organisation of the Corporation 700 employees were surplus.

177. In evidence, the General Manager stated that the increase in the staff was due to overall expansion of the activities of the Corporation after nationalisation. The operations of the IAC had increased and many more amenities were now being given to the passengers

which did not exist before. He, however, admitted that judging from the standard of other countries the staff of the Corporation was on a higher side. This was due to the peculiar conditions of labour prevailing in the country. The Corporation were, however, revising their staff requirements on the basis of the recommendations of the expert Committee in consultation with Staff Assessment Committee on which workers were also associated.

Low utilisation of Dakota Aircraft—sub-para (v) of para 55 of Audit Report, 1959.

178. The Corporation's costs were also burdened by the low utilisation of its Dakota Aircraft. As against a utilisation of 2,000 hours achieved in Australia and U.S.A. the utilisation achieved by the Corporation with this aircraft was 1400 and 1392 hours during the years 1956-57 and 1957-58, respectively.

179. In evidence, the General Manager of the Corporation observed that Dakota aircraft had not proved economical. It had a limited space and carrying capacity but consumed a great deal of fuel. Further, owing to certain accidents in the past the Dakota was not being used for night operations. Another reason for the low utilisation of the 'Dakota' was the more frequent overhaul undertaken by the Corporation as compared to other countries. While in Australia the airframe was overhauled after 8,000 hours of flying, it was done after every 3,000 hours of flying in India.

Purchase of un-economical Aircraft—'Herons'—sub-para (vi) of para 55 of Audit Report, 1959.

180. Eight 'Herons' were purchased by the Corporation in 1955-56. The average utilisation of the aircraft during the years 1955-56 to 1957-58 fell much below the estimate of 2460 hours computed at the time of purchase. Similarly the cost of operation was also higher than the estimated figure. The operational losses on the aircraft thus amounted to Rs. 22 lakhs, Rs. 32 lakhs and Rs. 20 lakhs during the years 1955-56, 1956-57 and 1957-58, respectively.

181. In evidence, the General Manager of Airlines Corporation admitted that there was a genuine error of judgment in purchasing Herons. The aircrafts had since been withdrawn from service and were being disposed of.

Cases of avoidable and infructuous expenditure—sub-para (vii) of para 55 of Audit Report, 1959.

(a) **AVOIDABLE EXPENDITURE OF RS. 2 LACS ON THE SHIFTING OF ADMINISTRATIVE OFFICES TO DUM DUM**

182. In April, 1955 the Corporation shifted its administrative offices from a building in the city of Calcutta to the Military Hutments at

Dum Dum with a view to realise a saving in rent of Rs. 4,000 p.m. On the contrary an expenditure of over Rs. 2 lacs was incurred on structural alterations, shifting of records and furniture and staff transport. Later on, the Corporation realised that shifting to the Hutments involved problems affecting efficiency, coordination and attendance and, therefore, hired in December, 1955 a new building in the city at a monthly rental of Rs. 5,500 p.m. in addition to the payment of brokerage.

183. The General Manager, Indian Airlines Corporation informed the Committee that the shifting of administrative offices was intended to bring all the offices of the Area Manager at one place. It was also proposed to construct residential quarters for the staff on a piece of land near the Airport, which was under the unauthorised occupation of refugees. After effecting the move of offices it was found difficult to eject the refugees from the land with the result that the staff had to be provided with transport between the city and the Military Hutments. This, apart from being expensive, was not considered to be a suitable arrangement. It had since been decided to construct a new building for the offices of the Corporation in the city for which requisite land had been acquired and other formalities completed.

(b) INFRUCTUOUS EXPENDITURE ON THE OVERHAUL AND INSURANCE OF AN UNSERVICEABLE AIRCRAFT

184. A four seater unserviceable aircraft was acquired by the Corporation as part of the assets of an ex-Airlines Company. It was decided to overhaul the plane and make it airworthy at a cost approximating Rs. 25,000 to 30,000. The cost of overhaul, however, came to Rs. 74,596 and a further expenditure of Rs. 12,000 was incurred on its insurance. The aircraft was flown for about 29 hours only and thereafter sold for Rs. 46,585.

185. The General Manager of the Corporation informed the Committee that the aircraft was overhauled and repaired with a view to selling it at a higher price. He also urged that the labour put on the job was surplus to their requirements and should not be taken into account for purposes of determining the cost of repairs etc. The cost of material utilised in making the aircraft airworthy worked out thus to Rs. 26,665 only.

(c) EXCESSIVE EXPENDITURE ON RENOVATION OF BOOKING OFFICES

186. The Corporation got its booking office at Bombay renovated in 1954-55 at a cost of Rs. 1,45,000 through a contractor. Two cheaper offers at Rs. 91,582 and Rs. 94,600 were rejected on the ground that their designs were not suitable. Similarly the renovation of the Delhi Booking office was got done by the same contractor at a cost of

Rs. 1,84,000 rejecting another offer at Rs. 48,837 only. In the opinion of Audit, as no specifications of the work to be done were determined, it had not been possible to ascertain whether the various items of the work were completed according to specifications.

187. In evidence, the witness stated that the contractor had previous experience of that type of work and his plans and designs were considered to be superior to the cheaper offers. He, however, admitted that there was no expert body in the Corporation to compare the different designs and ensure that the rates quoted by the contractor were reasonable.

(d) LOSS DUE TO MISDIRECTED OPERATION

188. An aircraft was flown from Calcutta to Bombay supposedly on charter for a sister Corporation, but the aircraft was not utilised as no such charter was asked for by the latter. The aircraft had to return only with light freight. A loss of Rs. 10,500 was incurred by the Corporation on this operation.

189. The General Manager admitted that the flight was due to a misunderstanding of a telephone message from Bombay to Calcutta. Remedial measures had since been taken to obviate the recurrence of such cases in future.

(e) SALE OF AIRCRAFT

190. One Dakota Aircraft acquired on nationalisation was sold by the Corporation to an ex-Airline Company at a depreciated value of Rs. 61,641. Next year, the Corporation had to spend Rs. 1,87,500 and Rs. 2,43,067 on the purchase and reconditioning of two Dakotas.

191. The representative of the Ministry of Transport and Communications stated that the two transactions of sale and purchase of Dakotas might be considered as separate and independent items. The Dakota aircraft was sold to the ex-Airline Company from whom it had been acquired at the time of nationalisation on the basis of an understanding that the private company could buy back from the Corporation (not for purposes of resale) within a period of 6 months upto a maximum of three aircrafts acquired from it earlier. It was, however, admitted that the sale was effected after the lapse of the prescribed period of six months. The two aircrafts were purchased from other companies subsequently.

Instances of irregular payments of allowances and other emoluments
—sub-para (viii) of para 55 of Audit Report, 1959.

192. The para in the Audit Report cited the following instances of irregular payments of allowances etc:—

- (i) payment of foreign allowance to staff recruited locally in a foreign country;

- (ii) payment of dearness allowance to retired Government officials in contravention of rules and objections from Audit.
- (iii) Ex-gratia payments made by the Chairman of the Corporation (i) to a State Government officer as honorarium for his part-time services to the Corporation and (ii) to the family of the officer for returning to their home town after his death.

193. The General Manager of the Corporation explained to the Committee that the foreign allowance was paid to the employees due to a misunderstanding about their nationality as they had migrated earlier from India to the foreign country. In other cases payments of dearness allowances etc. were made to the retired officials under the rules applicable to other employees of the Corporation. The fact that these rules did not apply to ex-Government officers, re-employed within a period of two years of their retirement, was not appreciated. The ex-gratia payments were sanctioned by the Chairman of the Corporation in exercise of his own powers. The matter was not reported to the Board of Directors through an oversight.

Failure to review advances and effect timely recoveries—sub-para (ix) of para 55 of Audit Report, 1959.

194. In Calcutta area a sum of Rs. 7,68,216 was outstanding against the staff at the end of the year 1954-55, for which neither any acknowledgements were received from the individuals nor the accounts reviewed to effect recoveries with the result that some employees resigned or left the Corporation without the outstanding amount (Rs. 40,000) against them being recovered.

195. In extenuation the General Manager stated that the advances had been made to the staff by the different Airlines Companies prior to nationalisation in accordance with their established practices. Although some difficulty was being experienced owing to the complicated rules of T.A. etc. of those companies, efforts were being made to recover the amounts from the persons concerned.

Cases of losses and misappropriation—sub-para (x) of para 55 of Audit Report, 1959.

(a) MISAPPROPRIATION BY BOOKING AGENTS

196. The General Manager, Indian Airlines Corporation explained that the cases of misappropriations referred to in the Audit Report related to the period prior to the introduction of the new rules under which the booking agents are required to furnish a security deposit with the corporation and submit their accounts every fortnight. In

case of default the Corporation can stop their future credit and even forfeit the security deposits.

(b) LOSS OF RADIO EQUIPMENTS

197. Out of the Radio Equipment said to have been purchased for Rs. 54,989 by the Resident Representative of an ex-airline, equipment valuing Rs. 36,076 was shown as transferred to Kathmandu but no records were available to show their actual despatch nor were these stores found in Kathmandu station on 30th September, 1954 at the time of physical verification. A court of enquiry conducted in June 1955, *inter alia* revealed certain irregularities in the purchase of stores as well as negligence on the part of officers in allowing the stores to lie in Kathmandu under conditions in which these were damaged by rain water.

198. In evidence, the General Manager of the Corporation stated that although it appeared to be a case of malpractice it had not been possible to prove the malafide of any officers for want of sufficient evidence.

Unsatisfactory state of stores and equipment accounts—sub-para (xi) of para 55 of Audit Report, 1959.

199. The Corporation took over, on nationalisation, stores and spares worth about Rs. 1·5 crores and equipment and property worth about Rs. 4·81 crores but no physical verification was carried out during the years 1953-54 to 1955-56. Even block registers of property and equipment were not properly maintained. The result of physical verification conducted for the stores as on the 31st March, 1957 revealed shortages of Rs. 2,83,182 for which no responsibility could be fixed.

200. In extenuation, the General Manager urged that the discrepancies in the store and equipment accounts pertained to the assets acquired by the Corporation on nationalisation. Since the private companies did not maintain proper ledgers or invoices for stores it was difficult to make a proper assessment. These stores accounts were now being reconstituted. Proper accounts were, however, being maintained for stores and equipment purchased by the Corporation after nationalisation.

201. *The Committee then adjourned to meet at 11.00 hours on Monday the 26th October, 1959.*

PROCEEDINGS OF THE TWENTY-SIXTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE
26TH OCTOBER, 1959.

202. The Committee sat from 11·00 to 13·00 hrs.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

- 2, Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Radha Raman
6. Shri T. R. Nesvi
7. Shri Raghubar Dayal Misra
8. Shri Vinayak Rao K. Koratkar
9. Shri Aurobindo Ghosal
10. Shri Yadav Narayan Jadhav
11. Shri Shraddhakar Supakar
12. Shri Amolakh Chand
13. Rajkumari Amrit Kaur
14. Shri Rohit Manushankar Dave
15. Shri T. R. Deogirikar
16. Shri Surendra Mohan Ghose
17. Shri Jaswant Singh
18. Shri Venkataraman.

Shri A. K. Chanda—*Comptroller & Auditor-General of India.*

Shri A. Kalyanaraman—*Deputy Comptroller & Auditor-General.*

Shri S. Venkataramanan—*Accountant General, Central Revenues.*

Shri P. V. R. Rao—*Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen—*Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Transport & Communications
(*Department of Communications & Civil Aviation*)

Shri M. M. Philip—*Secretary.*

Air India International Corporation

Shri B. R. Patel—*General Manager.*

Ministry of Finance (Deptt. of Expenditure)

Shri S. S. Shiralkar—*Financial Adviser.*

Ministry of Food and Agriculture (Deptt. of Food)

Shri B. B. Ghosh—*Secretary.*

Shri P. N. Krishnaswamy—*Chief Pay & Accounts Officer.*

Ministry of Finance (Deptt. of Expenditure)

Shri A. C. Bose—*Financial Adviser.*

Ministry of Finance (Deptt. of Economic Affairs)

Shri A. R. Shirali—*Additional Budget Officer.*

MINISTRY OF TRANSPORT AND COMMUNICATIONS
(AIR INDIA INTERNATIONAL CORPORATION)

Audit Report (Civil) 1959—Part I

Ex-gratia payment of bonus, para 56, page 62.

203. In terms of his contract, an employee of the A.I.I. Corporation was due a gratuity on October 6, 1954 of Rs. 5,000 on the expiry of his contract. The contract was, however, renewed for a further period of three years.

Due to defective drafting, the new agreement did not make it clear that the payment of the amount of Rs. 5,000 was being deferred until expiry of the new contract. In October, 1957, the employee claimed Rs. 10,000, i.e., an additional gratuity of Rs. 5,000 for the extended period of the contract taking advantage of the ambiguity in the language of the agreement. The Corporation on the advice of its solicitors at first resisted the claim but finally decided not to

resort to legal proceedings and made an additional payment of Rs. 4,500.

204. It was explained to the Committee by the General Manager that the intention of the Corporation was merely to defer the payment of Rs. 5,000 for a period of three years. But due to defective drafting of the agreement, it appeared as if an additional amount was to be paid to the employee. He added that the mistake in the agreement which was drafted by the Personnel Department was not carefully checked in the Head Office. Steps had, however, been taken since then to prevent the recurrence of such a case.

205. When asked about the basis of his contention that the Corporation merely intended to defer the payment of Rs. 5,000 he stated that it was the specific proposal from the Head Office which the General Manager approved and wrote to the Personnel Department accordingly.

206. *Debts due from the booking agents.*—The Public Accounts Committee during their on-the-spot study of the working of A.I.I. Corporation had desired to be furnished with further information about the bad and doubtful debts. They understood that a sum of Rs. 1,19,823 was due from the three booking agents.

Giving the latest position of these outstandings the witness stated that the money had been recovered from one agent but as some court case was likely to come up, the money had been kept under "suspense". The second agent was making payment in monthly instalments of Rs. 1,724.

207. When asked about the arrangements made with the agents for prompt payment in future, the witness informed the Committee that if an agent failed to make payments due in a particular month, he became a defaulter and immediately all the airlines started putting pressure on him and suspended credit facilities to him. The booking agents, he said, had to be approved by the I.A.T.A. before credit could be extended to them by any airline. In reply to another question, he stated that the three defaulting agents ceased to be booking agents of the Corporation.

208. The Committee then had some general discussion with the witness about the pooling of A.I.I. airline with the foreign airlines of BOAC and QANTAS and the acquisition of a bigger building at Paris from the Tourist Office in exchange.

MINISTRY OF FOOD AND AGRICULTURE

(DEPARTMENT OF FOOD)

Audit Report (Civil), 1958—Part I

*Loss due to non-delivery of foodgrains by a transport contractor—
Para 23, Pages 23-24.*

209. According to Audit, the Food & Procurement Department of the Tripura Administration entrusted to a contractor the work of transporting foodgrains from a godown in Manubazar (Sabroom) to one in Agartala without any agreement and with no safeguard for ensuring delivery of the consignments. The contractor started his work on 30th March, 1953, even though the formal work order was issued to him in the middle of August, 1953. He furnished security deposits aggregating Rs. 1,700 on different dates. The time normally required for the movement of stock from Manubazar (Sabroom) to Agartala was 2 to 3 days, but out of a total quantity of 1,675 maunds of foodgrains handed over to the contractor in December, 1953, he delivered only 755 maunds in November and December, 1954. After the 10th December, 1954, delivery was stopped altogether and the value of the undelivered stock of 920 maunds of rice and paddy and 544 container gunnies was estimated at Rs. 15,374. The contractor was asked in April, May and December, 1954 and again in May, 1955 to complete the delivery but no reply was received from him.

Government instituted a criminal case against the contractor on 20th September, 1956. As the prosecution could not produce certain important registers and prove that the foodgrains entrusted to the contractor had not been delivered to Government, the case was dismissed on 17th February, 1958 by the court.

Government initiated on 31st August, 1957 departmental proceedings against the officers at fault, the result of which was still awaited. A civil suit against the contractor had been instituted. It was stated that final action for the adjustment or refund of the security deposit would be taken after the civil suit was decided.

210. The Committee wanted to know the reasons for such a long delay in taking action in the matter. The representative of the Department of Food admitted that there could be no satisfactory explanation for the long delay. Even the Board of enquiry to enquire into the causes of the loss and to fix responsibility in this case was set up only in February, 1959. Nor has it submitted its report yet. The Tripura Administration had been asked to expedite the submission of the report. He added that as soon as the Report of the Board of Enquiry was received, action would be taken in the matter.

211. In reply to a question, as to whether the necessary registers were not there for being produced in the court, the Secretary stated that the registers were with Audit* and the local public prosecutor did not think them of vital importance while the court took the opposite view. In fact, these registers could have been obtained and the counsel could have asked for time for their being produced in the court.

212. The Committee enquired how the contractor was allowed to start transporting the foodgrains without a contract or formal orders. The Secretary stated that while it was desirable to issue the orders before the work commenced, that was not always possible. In this case it was procurement time for which targets had been fixed and before the formality of the agreement was gone through, the work was allowed to be started. To another question he replied that the contractor had been selected by the Chief Commissioner after tenders were invited and this contractor's tender was the lowest. He further stated that records showed that foodgrains were actually handed over to the contractor. But at the other end, the whole quantity was not delivered by him and the Administration had adjusted his security deposits and withheld payment of his transport bills.

213. Asked why the contractor should have taken such a long time for making a partial delivery of foodgrains when only 2-3 days were needed to transport goods from Agartala to Tripura, the witness stated that there was absolutely no justification for the delay. In reply to a question whether there was anybody to supervise the work of transporting, the Committee were informed that the Board of Enquiry had framed charges against some Inspectors and Store-keepers for neglect of duty.

214. To another question whether the Central Government were informed by the Tripura Administration that the foodgrains had not been transported, the witness stated that that was not done as the matter was within the powers of the Chief Commissioner. The Audit, however, had brought the matter to their notice in 1957 through a draft para and as a result a Board of Enquiry had been set up.

The Committee were not satisfied with the explanations given in this case and after some discussion, they desired to be furnished with a copy of the report of the Board of Enquiry together with a note stating the action taken by the Ministry on the recommendations made therein.

*Audit has since pointed out that the documents (registers and vouchers etc.) were in the custody of the Department concerned and that the statement of the witness as not correct.

*Avoidable extra expenditure on the chartering of vessels, Para 26,
Page 25.*

215. In this case, two ships belonging to an Indian Shipping Corporation (in which the Government held 74 per cent. of the share capital) were chartered by an Indian Mission abroad for the shipment of foreign wheat purchased by Government in December, 1955 and March, 1956. The ships were chartered through the London Agent of the Indian Shipping Corporation instead of through the Director General of Shipping, as required under the prescribed procedure (which was known to the Mission and which they had followed earlier in such cases). This deviation from the normal practice resulted in an avoidable payment of £ 2,022 (Rs. 26,960 approx.) as brokerage and commission by the Shipping Corporation to its London Agent.

216. Explaining the reasons for deviation from the prescribed procedure, the witness stated that it was due to an oversight. Government were anxious for the shipment of the foreign wheat quickly. It was learnt that these two Indian ships were available just at that time. There was a telephonic talk between the Director General of Shipping and an officer of the Food Department and it was decided to intimate to the London High Commission about the availability of these two ships. The High Commission, however, contacted the Scindias who were the London agents of the Shipping Corporation. The Scindias contacted the Baltic Chartering Committee and thereby according to the normal custom they became entitled to the commission. As there had been no chartering of any Indian ship in London for some years at that time, the prescribed procedure was lost sight of.

217. In reply to a question, he stated that the Ministry, the Director General of Shipping and the High Commission for India, London were all responsible for the oversight. To another question he stated that records about the conversation between the officer of the Food Department and the Director General of Shipping were available. Asked why that conversation was not followed up, he stated that the particular aspect of payment of commission was not thought of at that time either by the Director General of Shipping or by the Department of Food. But he added there was no excuse for that.

*Unprofitable outlay on Bihar Grain Discharging Plant, para 27,
Page 25.*

218. A mechanical plant intended to facilitate the discharge of ships carrying grain in bulk was purchased by Government for Rs. 4,47,188. The advantages of the plant were stated to be (a)

saving in labour charges (b) earning of "despatch money" on ships and (c) quicker turn round of ships.

The plant was received in September, 1955 and erected at Bombay Docks in the first week of February, 1956 on a site taken on lease. The plant had not been operated till October, 1958, at the main Bombay Docks (except for about a month in August, 1957 at the Naval Docks) due to the opposition from local stevedoring interests who apprehended that the mechanisation of the unloading operations would lead to large scale unemployment. The plant was lying idle and the investment in its purchase (*viz* Rs. 4,47,188), and on its erection and maintenance till August, 1958 (Rs. 1,01,685) had proved to be so far unproductive. The possibility of installing the plant at other ports was being investigated in consultation with the Ministry of Transport.

219. The witness informed the Committee that the plant was still lying idle. But the Ministry thought that it was essential to introduce such mechanical aids in the Indian ports as it was more economical and would help in the expeditious clearance of the docks. But Government had not succeeded in persuading the labour so far. He, however, assured the Committee that further expenditure on such plants would not be incurred unless the Government were sure of co-operation on the part of labour.

220. Asked why the equipment was ordered before making sure that it could be put into operation, the witness stated that that aspect of the problem was considered but it was decided to proceed with the erection of the plant.

A sum of Rs. 1,400 to Rs. 1,500 was being incurred monthly on the maintenance of the plant. In reply to a question the Committee were informed that it was not possible to use the machinery for other purposes. The plant could do the work of 150 workers in a day. Even if the plant was put through, there need not be any unemployment as they had a big import programme in hand.

Loss due to belated diversion of food shipment, para 28, page 26.

221. In February, 1957, a vessel was chartered by an Indian Mission abroad to carry a shipment of wheat from California to **Bombay via the Pacific**, at a freight rate of 192½ Sh. (approx. Rs. 128) per ton. The ship sailed from California on 4th May, 1957 for Bombay, where she was expected to reach on 27th June, 1957. It was, however, decided by Government, on 18th June, 1957, to divert it to Madras and Calcutta because of congestion at Bombay port. The diversion took place when the ship was just across

the West Coast of Ceylon and this involved Government in an additional freight expenditure of Rs. 97,000 in all (at 15 sh. or Rs. 10 per ton).

The expected heavy arrival of other food ships, in June, 1957, in Bombay port was apparently known to the Ministry by 23rd May, 1957. If earlier steps had been taken to divert the vessel in question to the East Coast ports, Government might have saved a considerable portion of the additional freight of Rs. 97,000.

The ship discharged the cargo at Madras from 26 June, 1957 to 2nd July, 1957 and at Calcutta from 27th July to 3rd August, 1957. The shipowners had claimed demurrage charges of £ 9,876 (Rs. 1,31,680) for undue detention of the vessel, against which the High Commissioner had paid only £ 1,141 (Rs. 15,213) which the shipowners had not accepted in settlement, but were pressing for the full payment of their original claim.

222. Explaining the position, the witness stated that there had been no delay in taking the decision to divert the ships as the agents of ships concerned offered to divert the ship on the 17th June, 1957 on payment of 15 Sh. extra per ton and on the same date the offer was accepted. In reply to a question, the witness stated that a request was made to the agents on the 7th June, 1957 although the Department had approached the Indian agents in other cases for the diversion of ships even in the third week of May, 1957. In his view, even if the Department had contacted the agents of this ship earlier than 7th June, 1957 there would not have been a saving of Rs. 97,000 as diversion and terms therefor had to be mutually agreed upon with the shipowners.

223. The Committee were not satisfied with the explanation of the Ministry and desired to be furnished with a note (supported with the relevant correspondence) giving the circumstances under which the shippers refused to divert the ship to the eastern coast.

224. The Comptroller & Auditor General informed the Committee that the freight rate from the western ports of America to the eastern coast of India was cheaper by Rs. 7 per ton than the freight rate to ports in the western coast of India. The witness in this connection pointed out that the standing instructions given to the Supply Mission were to send the ships from the west coast of America to Calcutta and from the Atlantic coast to Bombay.

225. Asked about the claim of the firm, the witness stated that the High Commissioner had told the firm in June, 1958 that the payment of £ 1,141 was in final settlement and the firm had not pressed for the remaining claim.

226. *The Committee then adjourned till 10.00 hours on Tuesday, the 27th October, 1959.*

PROCEEDINGS OF THE TWENTY-SEVENTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY,
THE 27TH OCTOBER, 1959

227. The Committee sat from 10.00 to 12.45 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

PRESENT

2. Shri T. Manan
3. Pandit Jwala Prasad Jyotishi
4. Shri Radha Raman
5. Shri T. R. Neswari
6. Shri Vinayak Rao K. Koratkar
7. Shri Aurobindo Ghosal
8. Shri Yadav Narayan Jadhav
9. Shri Shraddhakar Supakar
10. Shri Amolakh Chand
11. Rajkumari Amrit Kaur
12. Shri Rohit Manushankar Dave
13. Shri T. R. Deogirikar
14. Shri Surendra Mohan Ghose
15. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller and Auditor General of India*.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General*.

Shri S. Venkataramanan—*Accountant General, Central Revenues*.

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri M. C. Chawla—*Under Secretary*.

WITNESSES

Ministry of Food & Agriculture
(Department of Food)

Shri B. B. Ghosh—*Secretary.*

Shri P. N. Krishnaswamy—*Chief Pay & Accounts Officer.*

Shri A. D. Pande, *Chief Secretary, Delhi Administration.*

Ministry of Finance (Department of Expenditure)

Shri A. C. Bose—*Financial Adviser.*

Ministry of Finance (Department of Economic Affairs)

Shri A. R. Shirali—*Additional Budget Officer.*

MINISTRY OF FOOD & AGRICULTURE

(DEPARTMENT OF FOOD)—*contd.*

Audit Report (Civil), 1958—Part I

Non-recovery in full of contractual dues from four firms, Para 29, pages 26—28.

228. In March, 1954, the Food Ministry placed contracts with four Indian firms for the purchase of an aggregate quantity of 57,000 tons of imported sugar (valued at Rs. 2·7 crores) which was to be shipped before 31st March, 1954 in three cases, and before 15th April, 1954 in the fourth case.

All the four firms failed to supply the sugar even after some extensions of time were granted by the Ministry of their own accord. The contracts were, therefore, cancelled at the risk and cost of the defaulting firms and purchases were effected at higher rates. Under the terms of the contract with the four firms in the event of the seller's failure to supply the sugar, Government were entitled to make a risk purchase, in addition to obtaining damages equal to 3% of the full contract value of sugar. On being consulted, the Law Ministry advised that Government were entitled to recover from the defaulters the difference between the contract price and the market price prevailing on the dates when the breach of contract occurred. The amounts recoverable from the four firms on this basis came to Rs. 4,00,000, Rs. 1,97,000, Rs. 1,82,827 and Rs. 9,50,000 respectively (total Rs. 17,29,827).

When these amounts were accordingly demanded from the defaulters, the latter made certain representations as a result of which Government decided on 4th February, 1955 on grounds of equity (despite the fact that legally they were entitled to recover the full extra cost from the defaulters) that the penal recovery might be

restricted to a nominal figure equal to one-tenth of the difference between the contract price in each case and the lowest price subsequently paid, in 1954, for comparable overseas sugar. On this basis, the amounts recoverable worked out to Rs. 22,500, Rs. 15,000, Rs. 13,555 and Rs. 58,666 respectively (total Rs. 1,09,721).

While recovery had been effected from the first three defaulters (out of their security amounts) only a sum of Rs. 10,000 (out of Rs. 58,666) could be recovered from the fourth firm. The firm had failed to deposit the necessary security and had paid only the earnest money of Rs. 10,000 along with its tender. The financial standing of this firm was not verified by Government prior to placing the contract although a police report had been received intimating that the Director of this firm had been convicted of certain criminal offences. Subsequent enquiries showed that the firm's paid-up capital was less than Rs. 10,000 and that there was no prospect of any money being realised from it as damages.

229. It was explained to Audit that the equitable grounds on which the damages were reduced from Rs. 17,29,827 to Rs. 1,09,721 were that—

- (i) the firms were let down by their foreign suppliers, and as such their failure was due to reasons beyond their control, and
- (ii) that the firms could not open letters of credit in favour of their foreign suppliers in time owing to some delay in ascertaining the terms and conditions relative to the marine insurance of the sugar stocks.

It was also contended by the Ministry that there was no real loss to Government, as the subsequent quantities of sugar were brought in a chain, and there was, therefore, no definite "risk purchase" as such, against each defaulter. Audit was unable to accept either the plea that the default was due to circumstances beyond the control of the contracting firms or that there was no loss to the public exchequer in the purchases which had to be made by Government at higher costs, soon after the default. The Audit Report pointed out that two purchases at substantially increased rates were made from the same firms who had defaulted earlier.

230. The Committee wanted to know the reasons for accepting the offer of the fourth firm for the supply of sugar in spite of an adverse police report against its Director. The representative of the Ministry of Food stated that the tender was considered at the highest level and it was felt that the tender of the firm, being the lowest £35 a ton, should be accepted. Asked about the next higher offer which was rejected in favour of the lowest tender, the witness stated that that

was for the rate of £ 35-19-8 per ton. To another question he stated that the quotations of the other three firms were £35-17-6, £35-17-6 and £35-19-8 per ton.

231. The Committee enquired whether it was proper for Government to place orders with a firm whose director had been convicted in a criminal case. The witness agreed that that was not desirable but added that such a generalisation should not be made without considering the offence of the party and the risks involved in a contract with it.

232. Asked whether it was the policy of Government after its experience in the Jeep Contract to enter into contracts for over Rs. 1 crore with a firm whose share capital was Rs. 10,000 only, the witness replied in the negative. The Committee pointed out that according to the financial rules, the Ministry were supposed to examine the financial standing of the firm. The witness stated that that was not done in respect of any of the four firms as it was a question of the acceptance of the offer within 24 hours and there was no time for any such investigation.

233. When asked whether Government had ascertained that the foreign suppliers of the contracting firms were in a position to supply the requisite quantity of sugar, he replied in the negative and added that that was the business of the contracting parties with whom alone Government had entered into contracts. In reply to another question, the witness informed the Committee that while the other three firms furnished the security deposits, the fourth firm did not do so after its tender had been accepted.

234. Explaining the reasons for not cancelling the contract of the fourth firm when it failed to make security deposits within the stipulated period, he stated that the contract could be cancelled but it was not done as Government needed the sugar urgently. When pointed out how Government hoped to get sugar from these firms when their quotations were lower than the international market rate, he stated that it was the firm who undertook the risk. In reply to a question why Government did not insist on the full penal recovery, the witness stated that Government felt that the firms were let down by their foreign suppliers and also subsequently throughout the year, 1954, the actual purchase price of sugar was £37 per ton.

235. As regards the subsequent orders on two of the firms, the witness stated that 25,000 and 30,000 tons of sugar had been purchased from these firms. But no further transaction had been entered into with the fourth firm. Explaining the reasons for accepting the offers from the defaulting firms on the second occasion, he stated that their tenders were accepted on the basis of various offers and he did not

think Government would have been justified in rejecting their subsequent offers. Asked whether the firms had requested for enhancing the rates to enable them to supply the sugar, he replied in the negative.

236. The Committee then referred to the grounds on which the damages were reduced from Rs. 17,29,827 to Rs. 1.09,721 and enquired how the Ministry gave such explanations for the default of the contractors, who were expected to fulfil the terms of contract. The witness stated that these explanations had been given by the firms and partially accepted by the Administration. But the real explanation was that the international price of sugar was higher than the price quoted by them.

237. Intervening, the Comptroller and Auditor-General mentioned to the Committee that there was evidence to show that three out of the four firms had genuine offers in their hands from their suppliers abroad who kept these open for a period of 3-4 weeks. It was, therefore, not correct to say that the firms were let down by their suppliers because of high price of sugar prevailing in the international market. Nor were their quotations unreal. Thus the contractors themselves were at fault in not making firm deals with their suppliers and there was no justification in reducing the damages when Government themselves had to purchase sugar at a higher price.

238. The Committee felt that such untenable explanations advanced by the contractors should not be accepted by Government as it would set a bad precedent. The witness took note of the views of the Committee.

239. In reply to a question whether it was the general policy to reduce the liquidated damages to ten per cent of the amount due, the witness replied in the negative.

240. Next, the Committee enquired the dates by which sugar was to be supplied by the firms. They were informed that in three cases it was 31st March, 1954 and in the fourth case it was the 15th April, 1954. But the dates were extended till the end of June, 1954 by the Government themselves. Asked whether these firms had any experience of importing sugar, the witness stated that only one firm had supplied sugar in the past. To another question he stated that they were not normal brokers dealing in sugar.

Audit Report (Civil), 1959—Part I

*Shortage of recovery from a firm trading in grain, Para 26,
Pages 24-25:*

241. (i) Under the Foodgrains Procurement and Distribution

Scheme introduced by the Government of India in 1946, a firm imported 13,500 mds. of *urd dal* from the Central Provinces (now Madhya Pradesh) during 30th June, 1947 to 9th July, 1947, for sale in Delhi at a price to be fixed by Government. The firm was allowed in addition to procurement costs, a consolidated margin of as. 7 per maund to cover its commission and incidental expenses such as transport charges, godown rent, terminal tax etc. Any profit accruing to the firm on the selling price was to be refunded to Government, while any loss incurred by it on the sale was to be made good by Government.

The firm alleged that it had sold the entire consignment to various private parties at the rate of Rs. 15 per maund (without getting the prior approval of the Department to the rate). The Government, thereupon, decided in August, 1947, to recover from the firm the difference between the prevailing market rate of Rs. 22 per maund and the alleged selling rate of Rs. 15 per maund and the amount thus recoverable came to Rs. 1,03,000 (approx.). The firm, however, repudiated the claim on various grounds and finally took the matter to a Court of Law which on 15th November, 1956, upheld the contentions of the firm but allowed the Government to recover a sum of Rs. 10,622, being the difference between the cost price plus commission of as. 7 per maund and the sale proceeds at Rs. 15 per maund.

According to Audit, it appeared that the Deputy Director of the Department had deposed in the court corroborating the allegation of the firm that the Department had directed the firm to sell the *urd dal* at the rate of Rs. 15 per maund thus contradicting the contention of the Department itself. Attention of the Committee was also drawn to the judgment of the High Court wherein the learned Judge observed: "I am strongly impressed by the fact that the then Director, who is contradicted by his subordinates had not cared to come into the witness box and offer himself for cross-examination by the plaintiff. In the circumstances, the statement given by Mr. (the Deputy Director) remained uncontradicted on this record."

242. The Committee wanted to know the circumstances under which the then Director was not in a position to defend the Government's stand in the court and how the then Deputy Director gave evidence against the Department. The Chief Secretary, Delhi Administration stated that the Deputy Director who was called to the court by the plaintiff, falsely deposed that he had orally instructed the firm to sell *dal* at Rs. 15 per maund. But there was no written record to show that either he or anyone else gave that permission to the firm. On the other hand, the Deputy Director himself had recorded in the file that he did not give permission to the firm for the sale of the *dal* at Rs. 15 per maund.

243. When asked why the Director did not appear in the witness box to contradict the Deputy Director by showing the file itself, the Chief Secretary stated that unfortunately that was not done on the advice of the Counsel. The Committee asked whether there was anything on record to substantiate this allegation against the Counsel, the Chief Secretary replied in the negative. When questioned about the basis for his statement, he stated that the records showed that originally the Director was cited as a witness by the Administration, but he was dropped later on and it was presumed that that was done on the advice of the Counsel.

244. To a question, the Chief Secretary stated that the then Deputy Director was reverted to the U.P. Government in 1948 and charges had been framed against him in 1958. To another question he stated that the High Court judgment was announced in November, 1955 and the U.P. Government had been informed about the conduct of that officer in January, 1958. When asked to explain the long delay in informing the U.P. Government, he admitted that there had been a failure in that respect.

245. When asked whether before appearing as a witness on behalf of the plaintiff, the Deputy Director got permission of the Administration, he stated that as he was working under the U.P. Government at that time, the permission of the Delhi Administration was not obtained. The Committee desired to be informed whether the officer concerned, before he appeared in the court, had obtained the permission from the U.P. Government and if so, whether that Government had consulted the Delhi Administration about it.

246. The Committee were not satisfied with the explanation and desired to examine the then Director of Purchase, Delhi Administration who, they understood, was in the service of the Government of India. In the meantime, they desired to be furnished with a note giving explanations on all the points raised in this Audit para.

Appropriation Accounts (Civil), 1956-57, Volume VII

Proforma Accounts of imported foodgrains, Grant No. 128, Page 107.

247. According to Audit, the profit and loss accounts of 1955-56 and 1956-57 revealed losses of Rs. 19 crores and Rs. 15.87 crores against corresponding profits of Rs. 2.15 crores and Rs. 1.05 lakhs in the years 1953-54 and 1954-55. The Proforma Accounts for 1957-58 had also not yet been compiled although they were due in September, 1958. The accounts for 1958-59 had also not been produced.

248. It was explained to the Committee that some of the records, especially the stock accounts, sale accounts etc. were not ready. These were under compilation and would be included in the next year's accounts.

249. The Comptroller & Auditor General intervened to say that as there was a separate accounts organisation in the Ministry, compilation of accounts should not be delayed. The Chief Pay and Accounts Officer, Ministry of Food etc. stated that he would expedite the matter.

250. In reply to a question, he stated that the local purchases of foodgrains started in 1957-58 and their Proforma Accounts would be compiled. The Comptroller & Auditor General suggested that in order to see whether the accounts of foodgrains gave an adequate information to the administration as well as to Parliament, it would be desirable to convene a meeting between him, the Finance and Food & Agriculture Ministries to lay down the form in which these Accounts should be maintained. The Food Secretary welcomed the suggestion.

251. Next, the Committee enquired the reasons for heavy losses in the sale of foodgrains in 1955-56 and 1956-57 as against the profits in the previous years. The representative of the Ministry of Food stated that when decontrol took place, the Government had a lot of stock, the sale of which resulted in a profit. But in 1955-56 and 1956-57, Government imported and sold large quantities of foodgrains in the country at subsidised prices with a view to arrest the rise in prices resulting in a loss of Rs. 23 crores in 1957-58 and about Rs. 10 to 11 crores in 1958-59.

252. The Committee had then some general discussion with the witness about the food production in the country with a view to making it self-sufficient and about the future import programme of foodgrains.

Import of Sugar, Note 24, Group-head B-6, Grant No. 129, page 128.

253. According to Audit, the total quantity of sugar shipped from overseas during the year 1955-56 was 2,28,072 tons and the quantity landed was 2,27,266 tons resulting in a short landing loss of 806 tons or roughly 0.3 per cent. Claims amounting to Rs. 5,14,138 and Rs. 69,846 were lodged against steamer agents for the quantity short received or short landed in a damaged condition and on account of despatch money respectively. Claims amounting to Rs. 22,63,518 remained unsettled at the end of the year 1956-57. A provision of Rs. 12,72,476 was made upto the end of the year 1956-57 as a 'Reserve' for possible repudiation of claims by the steamer Agents.

The Committee were informed that the above claims were still unsettled and the High Commission for India, London was dealing with the work.

254. *The Committee then adjourned till 10.00 hours on Wednesday, the 28th October, 1959.*

PROCEEDINGS OF THE TWENTY-EIGHTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY,
THE 28TH OCTOBER, 1959

255. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri T. Manaen
3. Pandit Jwala Prasād Jyotishi
4. Shri Radha Raman
5. Shri Rameshwar Sahu
6. Shri T. R. Neswi
7. Shri Raghubar Dayal Misra
8. Shri Aurobindo Ghosal
9. Shri Yadav Narayan Jadhav
10. Shri Shraddhakar Supakar
11. Shri Amolakh Chand
12. Rajkumari Amrit Kaur
13. Shri Rohit Manushankar Dave
14. Shri T. R. Deogirikar
15. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller and Auditor General of India*.

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General*.

Shri S. Venkataramanan, *Accountant General, Central Revenues*.

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M*

Shri P. K. Sen, *Director of Commercial Audit*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri M. C. Chawla—*Under Secretary*.

WITNESSES

Ministry of Food and Agriculture (Deptt. of Agriculture)

Shri K. R. Damle—*Secretary.*

Shri M. S. Randhawa—*Additional Secretary.*

Shri P. N. Krishnaswamy—*Chief Pay and Accounts Officer.*

Shri R. C. Soni—*Deputy Inspector General of Forests.*

Ministry of Works, Housing and Supply

Shri B. D. Kumar—*Deputy Secretary.*

Ministry of Finance (Deptt. of Expenditure)

Shri A. C. Bose—*Financial Adviser.*

Ministry of Finance (Deptt. of Economic Affairs)

Shri A. G. Krishnan—*Under Secretary.*

MINISTRY OF FOOD AND AGRICULTURE

(DEPARTMENT OF AGRICULTURE)

Audit Report (Civil), 1958—Part I

Loss due to use of tractors for ploughing private land without a contract or advance deposits—para 21, page 21.

256. During 1948-52, the Central Tractor Organisation ploughed certain private land in Delhi and its neighbourhood without either executing any agreement with the parties concerned or securing adequate deposits in advance notwithstanding the operations being of the nature of Deposit Work. A sum of Rs. 39,400 representing part of the expenditure incurred, eventually proved irrecoverable and had to be written off by Government during the years 1953-56.

The operations having been undertaken on verbal instructions, the responsibility for the loss could not be fixed definitely, especially since some of the officers concerned had already left service.

257. The Committee wanted to know the circumstances under which a sum of Rs. 39,400 had to be written off. The Secretary, Ministry of Food and Agriculture (Department of Agriculture) stated that immediately after the partition it was proposed to utilise the land in and around Delhi for food production. Several persons including some refugees who had been allotted land requested for tractorisation of their lands. The Ministry agreed to undertake the work and out of the recoverable amount of Rs. 1,55,184 a sum of Rs. 39,400 proved irrecoverable at that time. Subsequently, Rs. 1330·50 had been recovered.

258. In reply to a question why the defaulters could not be traced, the witness stated that four Co-operative Societies really accounted for the bulk of the irrecoverable amount. One of these societies went into liquidation. The second in whose case the cost of work came to Rs. 6,757 refused to pay on the ground that the operations in question had been taken up by Government for demonstration and publicity purposes. The Ministry tried to bring some pressure on it through the Ministry of Production with whom it had some dealings, but in vain and ultimately, the amount had to be written off.

259. The Committee enquired whether there was any written agreement with that Co-operative Society. The witness stated that in its original letter, the society had stated that it would pay the charges. But subsequently it backed out. When asked how Government accepted its contention, the witness stated that the Law Ministry had been consulted in the matter and according to that Ministry's opinion the letter of the society would not be a sufficient basis for filing a suit against it. Asked whether the society had deposited the requisite advance of Rs. 2,000, the witness stated that that was deposited in the beginning but as the finalisation of rates to be charged took some time, even that advance was returned to the society.

260. As regards the third society, the Committee were informed that it could not pay the amount of Rs. 5,365 due to its bad financial position and on its representation, Government decided to write off the amount. Similarly, dues against the fourth society had also to be written off.

261. The Committee then enquired about the future of the Central Tractor Organisation. They were informed that Government had since decided to wind it up. Asked about the disposal of tractors held by the Central Tractor Organisation, the witness stated that out of the 11 units, five units consisting of 165 tractors had been transferred to the Dandakaranya Project and two more units consisting of 30 tractors were proposed to be transferred to that Project. The Ministry considered that the existing life of the remaining units would expire in June, 1960 till which time these would be put to work. As each of these tractors had worked for more than the prescribed hours of 10,000, they would be sold through the Disposals Directorate. In reply to a question, the Committee were informed that the Dandakaranya Project accepted the tractors as they had still a life of another 2,000 to 3,000 hours.

262. Next, the Committee enquired why Central Tractor Organisation was being wound up. They were informed that it was being done as Rs. 2½ crores of foreign exchange required for renewal of its fleet of tractors could not be made available and they could not

keep the establishment going on without any work. When asked whether the Ministry were satisfied with the work of Central Tractor Organisation, the witness replied in the affirmative and added that as against 1 million acres proposed to be reclaimed, more than 1·6 million acres had been reclaimed, and the entire loan from the I.B.R.D. taken for this purpose had been repaid. To another question he stated that about 9 lakh acres of land were still to be reclaimed.

Delay in execution of a scheme Para 22, pages 21-23.

263. In paragraph 8(c) of the Audit Report (Civil) 1952—Part I, mention was made of the purchase of a Pilot Plant for production of different types of paper and boards from indigenous raw materials, at a cost of \$391,807 by the Ministry direct from a certain firm in the U.S.A. by-passing the India Supply Mission, Washington. The project for which the plant was ordered had been decided upon in 1946, and the broad specification of the plant had been settled by an Expert Committee. The Officer who was specially deputed to make the purchase of the plant did so after visiting U.K., Canada and the U.S.A. for obtaining detailed specifications. The said officer was given extension of service for three years in the hope that he would be able to put through the scheme. As he retired in December, 1949, when the machinery for which he had placed orders had just arrived at the Research Institute, the scheme did not make progress. In July, 1950 it came to light that there was an omission to place orders for certain important parts essential for putting the machine into operation.

The capacity of the pulping and stock preparation plant, approved by the Expert Committee in February, 1948, was found in May, 1950 to be inadequate for feeding the above pilot plant and the purchase of a new pulping equipment, at an additional cost of about Rs. 15 lacs, was considered necessary. In June, 1952, it was decided to utilise foreign technical assistance for procuring this equipment and connected services. Accordingly, plant, equipment and engineering services worth \$ 3,80,500 in all (equal to Rs. 18 lakhs) were obtained as below:—

	\$
T. C. A. Agreement 1952	18,300
T. C. A. Agreement 1953	2,35,000
T. C. A. Agreement 1956 and 1957	1,27,200
	<hr/>
	3,80,500
	<hr/>

The construction of the requisite buildings for the Project was initiated in December, 1948, but no progress was made till April, 1951 due to lack of specialised knowledge on the part of the local engineers and non-supply of basic engineering data by the firm supplying the pilot plant. A phased programme, to be completed in three stages, was drawn up in April, 1951 in consultation with the C.P.W.D. Phase A (Paper finishing Section) was taken up in December, 1951 and finished in July, 1952. Technical difficulties arose in designing Phase B (Basement) on the basis of drawings, etc. received from the firm and were resolved with engineering services obtained from the firm through the Agreement of June, 1953. The basement was completed in December, 1954 and the machinery was erected in May, 1955. Phase C (Construction for housing the pulping and stock preparation unit) had not been taken up yet (20th August, 1957) by the C.P.W.D. as the requisite drawings, etc. were awaited from the firm.

When the project was decided upon in October, 1946, and later the plant was selected for purchase, neither the Expert Committee nor the other officers concerned had any detailed knowledge of the machinery or any plan of the type of plant that would be required. The arrangements made under the foreign aid agreements of June, 1952, June 1953 and June, 1956 for procurement of machinery and engineering services from the firm were also not effective as supplies were delayed for long period and additional payments were demanded. The contracts which were entered into by the foreign aid agency could not be enforced as they did not contain adequate provisions. Under the latest contract made with the foreign aid agency in June, 1957 the firm mentioned above was to supply the various engineering services and equipment completely by September, 1958.

After locking up funds to the extent of Rs. 13,50,000 on the Pilot Plant for a period of about eight years (involving total interest charges of about Rs. 3,00,000 @ 3 per cent per annum) doubts had been raised on 20th August, 1957 whether the Institute would at all be a suitable place for putting up a plant of this size, because the raw material required for feeding it would not be available locally. Apart from going into the economics of its working, with raw material secured from outside, the possibilities of using it for producing special quality paper were now being explored as the full capacity of the plant may not be utilised for research and training.

It had been stated that no individual officer could be held responsible for the prolonged delays and uneconomic expenditure as none with adequate capacity or competence to shoulder responsibility had originally been placed in charge of the execution of the Project.

264. It was explained to the Committee that the paper section of the project was complete and it was proposed to start the trial on the 2nd November, 1959. As regards the pulping section, the buildings were ready and the work would be completed by the end of February, 1960.

265. The Committee enquired about the availability of raw materials for the plant. They were informed that an agreement had been entered into with the local mills for the supply of raw material until the pulping section of the plant was ready. In reply to another question, the witness stated that Government proposed to make arrangements for the requisite raw materials in the shape of bamboos, waste paper, etc.

266. The Committee pointed out that the project was conceived with a view to finding new raw materials for manufacturing paper and felt that manufacture of paper from bamboo and waste paper did not require any research work. The witness stated that different raw materials would be tried on the plant. In reply to a question whether there was also shortage of water and power at the plant site, he stated that there was no water scarcity as a tubewell had been sunk there providing adequate water.

267. Asked about the reasons for bypassing the I.S.M., the witness admitted that it was a mistake.

268. The Committee enquired how for purposes of research a project costing Rs. 58 lakhs and producing 6 tons of paper a day was considered necessary. The witness stated that they were trying to see whether special brands of imported paper could be manufactured in the country. The Committee asked the Ministry to examine the feasibility of producing security paper at the plant for currency purposes and furnish a note to them on the subject.

269. The Committee then enquired whether all the missing parts of the plant had been procured since then. The witness replied in the affirmative.

Non-recovery of dues, para 24, page 24.

270. The Forest Department, Andamans gave a licence and a lease to a private firm in 1951, for extraction of timber, in certain forests in Andaman Islands. The terms of the lease provided that the firm would extract every year a specified quantity of timber and pay royalty on that quantity. Failure to do so would entitle Government to collect royalty at the agreed rate also on all shortfalls in

the years 1951-54 taken together, and thereafter for each year separately. The guaranteed quantity of timber was not extracted by the firm during the years 1951-54, 1954-55, 1955-56 and 1956-57. But the recovery of the royalty due on shortfalls amounting to Rs. 21,28,201 which the firm was legally liable to pay, had not been made. It was stated by the Ministry in September, 1958 that the ceilings, prescribed for annual extraction under the agreement, were being revised and that meanwhile the recovery of the royalty due on shortfalls had been postponed.

271. According to audit the minimum quantities of timber to be extracted by the firm under the agreement, the quantities actually extracted and the shortfalls are as below:—

Year	Guaranteed quantities of timber to be ex- tracted under the agreement	Quantities actually extracted	Shortfall	Royalty due to be recovered on short- fall
	(Tons per annum)	(Tons per annum)	(Tons per annum)	
1951-54	35,000	31,192	3,808	} Rs. 51.42 lakhs upto 1957-58
1954-55	30,000	23,491	6,509	
1955-56	40,000	26,395	13,605	
1956-57	60,000	35,266	24,734	
1957-58	75,000	15,378	59,622	

272. The Committee enquired about the comparative merits of the tenders for the extraction of timber. They were informed by the Comptroller and Auditor General that in all, there were 9 tenders and the most favourable one was accepted on the grounds of the experience of the firm in timber business in Burma and its competence to deliver the goods. This firm offered 78 per cent as royalty while the other tenderers 47 per cent and below.

273. The Committee wanted to know the reasons for the wide disparity between the guaranteed quantity of timber to be extracted under the agreement and the quantity actually extracted in the year 1957-58. The witness stated that in that year timber extracted was small because of some labour trouble. But the position was not so bad in the previous years. To a question he replied that as against 75,000 tons of timber guaranteed to be extracted in 1958-59, 30,000 tons were extracted.

274. Explaining the causes for the shortfall in the extraction of the guaranteed quantities of timber, the witness stated that out of the area leased to the contractor it was not possible to extract annually 75,000 tons of exportable types of timber. He added that this fact was discovered only recently and was not known at the time of contract with the firm. The Government were convinced of this after their own experience in the extraction of timber in the Island. In reply to a question, the Committee were informed that it was proposed to revise the ceiling of quantity of timber to be extracted. The Committee desired to be furnished with a note discussing the comparative economics of extraction of timber in Andaman Islands by the Forest Department and the private contractor. They also impressed upon the Ministry the urgency of settling the matter as further delay would retard the progress of extraction of timber.

275. At the instance of the Committee the Deputy Inspector General of Forests explained how the quantities of timber to be extracted were arrived at. According to him the estimated yield of 40,000 tons from North Andamans was based on data collected after an inspection on the spot.

276. About the outstanding dues against the contractor the Committee were informed that excepting Rs. 80,000 the royalty due on timber actually extracted had been recovered from him. Steps were also being taken to realise the balance.

Loss in running a school Bus, Para 25, Pages 24-25.

277. In March, 1947, a bus was purchased at a cost of Rs. 8,190 for transporting the school-going children of the employees of the Forest College, Dehradun. All the charges in running the bus, including interest on capital, were to be borne by the local Bus Committee, a private body consisting of representatives of parents and guardians of the children using the bus. In practice, however, all the expenditure was met by the Government, the collection of bus fees from the children made by the Departmental cashier being credited to Government accounts.

During the period from March, 1947 to December, 1953 (when the bus service was discontinued), the Government suffered a net loss of Rs. 6,014, excluding depreciation charges on the bus which would amount to several thousand rupees more. As it was not possible to recoup the amount from any source, it was written off in December, 1956. No responsibility was fixed for allowing expenditure to be met out of Government funds and allowing the

loss to accumulate over five years, without effecting recovery in time from the Bus Committee.

278. It was explained to the Committee that expenditure and receipts relating to the bus was mixed up with Government accounts by the cashier. It was only when there was a deficit in the income of the Bus Committee that the matter came up to the notice of Government and it was realised that an entirely wrong procedure had been followed by the Bus Committee.

279. To a question, the witness stated that the bus had since been converted into a truck for other work.

Audit Report (Civil), 1959—Part I

Avoidable extra expenditure due to diversion of a vessel from Vishakhapatnam to Kakinada, para 27, pages 25-26.

280. A contract for the supply of ammonium sulphate f.o.b. was placed on behalf of the Agriculture Ministry abroad in November, 1956. The seller was responsible for chartering transport to India.

Intimation was sent on 30th August, 1957 that a vessel with about 10,100 tons of fertilizers had sailed on 23rd August, 1957 for Vishakhapatnam. The Transport Ministry suggested on 10th September, 1957 that the vessel should be diverted to another port as Vishakhapatnam port was heavily congested at that time. This request was communicated to the Supply Mission only on the 5th October, 1957 with the suggestion that the switch-over should be made without payment of extra freight. The vessel arrived at Vishakhapatnam, however, on 8th October, 1957, but was unable to berth.

After protracted negotiations, the ship-owners agreed on 21st October, 1957 to divert the vessel to Kakinada on payment of extra freight of Rs. 2.38 per long ton provided the lay (unloading) time would commence from the date of arrival (8th October, 1957) of the vessel at Vishakhapatnam and not 24 hours after receipt of the vessel's notice of arrival in port and readiness to discharge. Government agreed on 24th October, 1957 to the proposed terms of diversion except that the lay time be calculated as per Charter Party. On the same day, the ship-owners offered to reduce the extra freight from Rs. 2.38 to Rs. 1.19 per long ton, provided the lay time commenced from the arrival of the vessel at Vishakhapatnam and this offer was accepted by Government on 28th October, 1957. But as the vessel was required to pay demurrage charges with effect from 25th October, 1957, the shipowners withdrew their offer of the reduced rate of Rs. 1.19 per long ton and insisted on payment of

extra freight of Rs. 2·38 per long ton which condition was, on 2nd November, 1957, finally agreed to by Government. An extra expenditure of Rs. 1,17,85,127 was accordingly incurred by the Agriculture Department as below:

(i) Extra freight on 10,100·326 long tons at Rs. 2:38 per L.T.	Rs. 24,048·38
(ii) Demurrage at Kakinada and Vishakhapatnam.	Rs. 93,802·89
	Rs. 117,851·27

According to Audit, the delay in the decision to divert the ship, and the delay in communicating the same had resulted in the above extra expenditure.

281 Explaining how the delay in asking the India Supply Mission for diversion of the vessel had occurred, the witness stated that the Ministry of Transport suggested on the 10th September, 1957, to the Ministry of Works, Housing and Supply about the diversion of the vessel to Kakinada. The latter Ministry passed on that information to the Regional Director of Food on the 18th September, 1957 and from him it was received in the Department of Agriculture on the 25th September, 1957, and a telegram was sent on the 26th September, 1957, to the Regional Director of Shipping.

282 Asked about the steps taken to avoid such situations in future, he referred to the new procedure according to which whenever any ship was chartered, there would be an alternative port of destination also and secondly, the I.S.M. would directly negotiate with the owners of the ship for any increase in the freight as a result of diversion of a ship without prior consultation with the Ministry.

283. The Committee then enquired the reasons for delay on the part of the Ministry of Works, Housing and Supply in passing on the letter to the Ministry of Food and Agriculture. The representative of that Ministry stated that the letter was received on the 11th September in that Ministry and that was passed on to the Regional Director of Food on the 18th September, 1957, i.e., in a week's time.

Appropriation Accounts (Civil), 1956-57, Vol. VII

Grant No. 44—Agriculture, page 48.

284. The Committee noticed that out of a provision of Rs. 16,38,62,000 under this Grant, there was a saving of Rs. 673,25,185 as the large provisions for grants to State Government for Grow More Food and other agricultural schemes remained unutilised.

285. Explaining the position, the witness stated that in regard to several of the schemes, there had been a delay in starting the work as provision was made on the basis of the Five Year Plan without any regard to the capacity of the States concerned for implementing the projects. At the same time, due to the re-organisation of States during this year (1956-57) a number of the States could not utilise the amount that was provided for in the budget.

Avoidable loss, Note 6, page 54, grant No. 44.

286. Out of 50,000 gallons of Kerosene Oil and 8,520 gallons of aviation spirit purchased by a department in 1951-52 for aerial operations against locusts, 34,794 gallons of the former and 5,830 gallons of the latter had to be disposed of, the purchases being far in excess of requirements. 10,998 gallons of Kerosene and 1,441 gallons of aviation spirit were finally found short due to leakage and evaporation as they were stored in an open space in the absence of proper godowns. In writing off the resultant loss of Rs. 16,800 in August, 1953, Government ordered that in future greater vigilance in the matter of disposition and storage of petrol and kerosene should be exercised and that as far as possible, the quantities actually required with a safe margin for reserve, should be moved to forward positions where storage arrangements cannot generally be satisfactory. No disciplinary action against any official/officer was, however, taken.

287. The Committee enquired why responsibility for the loss could not be fixed. They were informed that this kind of aerial operation was new to them and estimates for the purchase of both aviation spirit as well as the kerosene oil were therefore based on the advice of an American expert who had experience of this kind of work. But the locust activity in that year was not so strong as had been anticipated.

288. When asked about the shortage, the witness stated that as godowns could not be constructed in Bikaner or Pokran where kerosene and aviation spirit were expected to be consumed, these were kept in an open space with the approval of the Inspector of Explosives as well the Engineer-in-Chief of the Army under military and police supervision.

289. *Sub-head H. 8(10), p. 54.*—The Committee noticed that there was a saving by all the States excepting West Bengal out of the amounts granted to them for Grow More Food schemes. They enquired about the performance of West Bengal in the matter of increasing food production. The witness stated that it was very difficult for him to state whether the expenditure had resulted in additional food production as several factors governed that.

290. *Losses, writes-off etc., Note 7(ii), page 55.*—A workshop lorry was purchased in July, 1950 with necessary equipment, costing Rs. 99,540 from the Defence Department for carrying out minor repairs to vehicles of a Locust Entomologist in the field. The workshop equipment could work only on gasoline, which was considered to be very uneconomical. The lorry could not, therefore, be put to any use.

The Head of the Department was apprised in March, 1954 that the lorry was unsuitable and expensive. It was ultimately sold in 1956 for Rs. 24,000 when its depreciated value was Rs. 55,368. The loss of Rs. 75,540 was written off by Government in November, 1956.

291. The Committee enquired about the reasons for the purchase of the lorry. They were informed that the lorry was intended to be used as a mobile workshop for attending to repairs of vehicles engaged in locust control work.

Appropriation Accounts, 1957-58—Vol. VII

Transfer to the Fund for the benefit of cotton growers. Note 12, page 59.

292. An account of the fund for the year 1957-58 is given below:

	Rs.
Opening balance on 1st April, 1957 ..	2,57,19,083
Credits during the year ..	37,38,003
Debits during the year ..	32,93,082
Closing balance on 31st March, 1958 ..	2,61,64,004

293. The Committee enquired about the progress made in the extension of cotton cultivation. They were informed by the Additional Secretary of the Ministry that largely by the use of the fund, quantity of cotton produced in the country had increased from about 22 lakh bales in 1947-48 to 47 lakhs in 1958-59. In reply to a question, the witness stated that the cultivation of long staple cotton had increased a great deal over the short staple cotton and it was expected that the country would be self-sufficient in respect of extra long staple variety of cotton in three to four years.

Grant No. 45.—Civil Veterinary Services, page 70.

294. The Committee noticed that out of a provision of Rs. 1,44,35,000 under this grant, there had been a saving of Rs. 57,59,282. Provision for grants to States under group-head C had remained largely unutilised.

295. The Committee enquired about the progress made in rinder-pest scheme. The witness stated that the scheme had been successful although the entire country had not yet been covered by it. Every animal that was to be inoculated between the rivers Cauveri and Krishna had been inoculated and it was intended to progress northward so as to cover the entire country in about three to four years. Asked about the non-utilisation of grants, he stated that that was due to the non-availability of equipment and trained personnel in the States and the late starting of the scheme.

296. The Committee then had general discussion with the witnesses about the food production in the country and the various measures taken to stimulate it.

(At this stage, the witnesses withdrew)

Payment of advances by Government to private firms, public undertakings etc.

297. The Committee considered a Memorandum* on the subject and approved the suggestions made in paras 4 and 6 thereof. The Committee desired that the views as set forth in para 4 should be communicated to the Ministry of Finance (Defence) who had requested for clarification arising out of the recommendations made in para 46 of their Seventh Report (Second Lok Sabha). They also decided to incorporate the suggestions made in para 6 of the Memorandum in their Report relating to Accounts (Civil) at an appropriate place.

298. *The Committee then adjourned sine die.*

* Not printed.

PROCEEDINGS OF THE THIRTY-FIRST SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNES-
DAY, THE 2ND DECEMBER, 1959

299. The Committee sat from 14.30 to 17.05 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Pandit Jwala Prasad Jyotishi
3. Shri T. R. Neswi
4. Shri Raghubar Dayal Misra
5. Shri T. Sanganna
6. Shri Yadav Narayan Jadhav
7. Shri Shraddhakar Supakar
8. Shri Amolakh Chand
9. Rajkumari Amrit Kaur
10. Shri Rohit Manushankar Dave
11. Shri T. R. Deogirikar
12. Shri Surendra Mohan Ghose
13. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller & Auditor-General of India*.

Shri A. Kalayanaraman, *Dy. Comptroller & Auditor-General*.

Shri S. Venkataramanan, *Accountant General, Central Revenues*.

Shri P. K. Sen, *Director of Commercial Audit*.

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi—*Under Secretary*.

WITNESSES

Ministry of External Affairs

Shri B. N. Chakravarty, *Special Secretary*.

Ministry of Finance (Deptt. of Expenditure)

Shri M. S. Bhatnagar, *Financial Adviser.*

Ministry of Information & Broadcasting

Shri R. K. Ramadhayani, *Secretary.*

Ministry of Community Development

Shri B. R. Tandon, *Secretary.*

Ministry of Finance (Deptt. of Expenditure)

Shri A. C. Bose, *Financial Adviser.*

Ministry of Finance (Department of Economic Affairs)

Shri A. G. Krishnan, *Under Secretary.*

MINISTRY OF EXTERNAL AFFAIRS

Audit Report (Civil) 1959—Part I

Avoidable expenditure. Para 24, pages 22-23.

300. A temporary Executive Engineer appointed on 21st September, 1950 (by NEFA Administration) was placed under suspension on 21st January, 1953, on charges of insubordination and inefficiency. The Administration reported the case in September, 1953, recommending the removal of the officer from service. The officer tendered his resignation on 2nd October, 1953 but withdrew it on 17th March, 1954, before its acceptance. In December, 1953, the Administration received a report that the officer had been employed as a temporary Executive Engineer in another State from 11th May, 1953, but this information was conveyed to the Ministry only in April, 1954. The officer was debarred on 21st December, 1956 from future service under the Central Government for securing employment elsewhere while under suspension but no order stopping the payment of the subsistence allowance from April, 1954, was issued.

The Ministry in consultation with the Ministry of Law advised the Administration on 29th September, 1955, to re-investigate the charges and to revise their recommendations. The officer meanwhile requested the Administration on 24th November, 1955 to terminate his services by notice after dropping all proceedings pending against him, and he gave an undertaking that he would not press any claims against Government besides the subsistence allowance up to the date

of such termination of his service. The Administration after discussion with the Ministry of Law, and with the approval of the Ministry, terminated the officer's services from 9th December, 1955.

A total amount of Rs. 14,547 had been paid as subsistence allowance for the period from 21st January, 1953 to 30th November, 1955. The officer had also received Rs. 7,634 from another State Government as pay for the period from 11th May, 1953 to 14th April, 1954.

301. The Committee wanted to know the circumstances under which the temporary officer was paid subsistence allowance for nearly three years instead of being removed from service on a month's notice or pay in lieu of that.

The representative of the Ministry stated that the officer could have been discharged from service on a month's notice. But unfortunately that was not done as the Superintending Engineer, although not competent under the rules, had drawn up proceedings against the officer. And once the proceedings had been drawn up, the legality of discharging an officer from service, temporary though he was on a month's notice, became questionable. As regards delay in taking action in the matter, he stated that the case involved consultations between the NEFA Administration, the Governor of Assam, and the Ministries of External Affairs, Law and Home Affairs and this took time.

302. When asked how the Superintending Engineer was not aware that under the rules he was not competent to draw up proceedings against the officer, the witness stated that it was a mistake on his part. Being the immediate superior officer concerned the Superintending Engineer thought that he was within his rights to draw up the proceedings. With a view to clarifying the position the Ministry of Finance had recently re-circulated among the officers the Classification, Control and Appeal Rules.

303. The Committee next enquired the reasons for not accepting the resignation of the officer. The witness stated that during the period of departmental proceedings resignations were normally not accepted; otherwise officers would escape the departmental action.

304. To a question why the Government did not stop subsistence allowance to the officer when it came to their notice that he had got a job under another State Government, the witness stated that it was not done on the advice of the Ministry of Home Affairs. They had felt that any order in this regard should issue after all the formalities including the advice of the U.P.S.C. had been taken into consideration as required under the Fundamental Rules.

Avoidable expenditure on rent of residential accommodation—Defective planning, Para 25, pages 23-24.

305. Two houses with similar accommodation, had been leased, on a monthly rental of Rs. 408 each, by a Mission abroad in April, 1956. One was surrendered on 1st November, 1956 and the other on 1st August, 1957. During the entire period of tenancy, one or the other of the two residences remained vacant except for two brief periods of 12 days and 25 days respectively. The unnecessary expenditure on account of the two houses was Rs. 6,120.

306. According to the Audit Report, the lease of another house occupied by an officer of the Mission, the rent of which was Rs. 607 per month, expired on 30th September, 1956. Instead of allotting the vacant house mentioned in the above sub-para, which provided accommodation suitable to the entitlement of that officer, the Mission obtained the sanction of Government for the renewal of the constlier accommodation for the officer, though Government had observed that a cheaper house should be obtained for him.

307. It was explained to the Committee that due to shortage of houses and high cost of living in a hotel, one residence was retained for an official whose departure was delayed due firstly, to passage difficulty and later on due to his examination, the date of which had been postponed.*

308. When asked about the house which was acquired within 12 days of the arrival of the officer, the witness stated that that house was made available by the foreign Government at a cheaper rent.

309. Next, the Committee enquired the circumstances under which renewal of the lease of the fourth house was obtained by the Mission when a vacant house with less rent had already been available with them. The witness stated that, that house was not suitable for the officer who had representational duties.

**Appropriation Accounts (Civil), 1956-57, Volume VI—
Grant No. 23-External Affairs**

Infructuous expenditure, Note 9, Page 27.

310. About 1,000 copies of a Quarterly Review in Russian language published by an Indian Mission at Moscow in April, 1955, and March, 1956, had to be scrapped due to defective translation and printing. The expenditure of Rs. 5,258 incurred on the printing of the two issues thus proved to be nugatory.

311. Asked about the circumstances of the case, the witness stated that as printing charges in Moscow were heavy, Government thought

it prudent to economise in expenditure by printing the material at Rome at a cheaper rate as they had done on another occasion. But unfortunately mistakes in printing and translation crept in.

312. When asked about the repetition of the mistakes in the second issue, the witness stated that the Mission should not have taken the risk of printing at Rome on the second occasion. The only redeeming feature was that the Mission hoped that the mistakes would not be repeated as a Professor of Russian at the University of Rome had been engaged in the work of translation. But unfortunately that arrangement did not prove satisfactory.

Loss in sale of staff car, Note 12, page 27.

313. In November, 1955, the Government sanctioned the sale of a 4 year-old staff car of a Mission and its replacement by a new one which was purchased in April, 1956.

The workshop in which the old car had been undergoing repairs at the time offered, in December, 1955 to buy the car for the equivalent of Rs. 2,995 less Rs. 1,120, being the cost of repairs already done up to that date. The offer was rejected as it was not considered sufficiently attractive. A further sum of Rs. 1,200 was spent on repairs upto the 27th March, 1956, the date on which old car was received back from the workshop. After advertising in the papers, the car was ultimately sold for Rs. 1,225 to an officer of the Mission in April, 1957. There was thus a loss of Rs. 1,850 owing to the rejection of the offer of December, 1955.

314. The Committee enquired the reason for incurring an expenditure of Rs. 2,320 on the repairs of the car which had to be disposed of just for Rs. 1,225. The witness admitted that it was a case of throwing good money after bad money. The car should have been sold without any expenditure on its repairs, at whatever price it fetched. It was an error of judgment. Unfortunately just at that time the duty on petrol was enhanced by the foreign Government. This brought down the price of car.

315. To a question whether it was advisable to sell the car to an official of the Mission, the witness replied in the negative. He, however, added that in the present case there was no better offer for the car.

Appropriation Accounts (Civil), 1957-58—Grant No. 24— External Affairs

Waiver of recovery, Note 8(vi), Page 45.

316. A contract officer, posted to an Indian Mission abroad in March, 1950, had been sanctioned Foreign Allowance, at the rate of

Rs. 400 P.M. as for married officers instead of Rs. 300 per month, admissible to him as a bachelor. The mistake had come to light in April, 1954, by which time a sum of Rs. 4,916 had already been over-paid. Government ordered in December, 1955, the waiver of a sum of Rs. 3,716 and the recovery of the balance of Rs. 1,200 in easy instalments. The fixation of responsibility for the over-payment was engaging the attention of Government.

317. Asked about the latest position in fixing the responsibility for the over-payment, the witness stated that three officers had been admonished while the fourth was being asked to give his explanation. To a question whether the officer concerned had been giving certificates every month that he was married as required under the rules, the witness stated that the order itself was defective as it did not indicate the different rates for the married and unmarried officers.

Premature expenditure on the proposed construction of a residence for the Head of a Mission, Note 9, Page 46.

318. An Indian Mission abroad had acquired on lease in January, 1950 a plot of land measuring about two acres, from Kenya Government for the construction of a house for the Head of the Mission. In March, 1954, when the bills of quantities (i.e. detailed estimates) for the house were under preparation, the architects were asked not to proceed with invitation of tenders as the Mission proposed (November, 1954) to construct the house on a different site for various reasons. Government, however, desired (January, 1955) that the house should be built as originally planned and the bills of quantities were, therefore, sent to Government for approval in June, 1955. In September, 1956 the proposal for constructing the house elsewhere or alternatively, for buying a house was re-opened by the Mission but was not accepted by the Government. In November, 1957, the Head of the Mission reiterated the previous objections to building the house in that locality, as it had become rather crowded and difficult of access. That objection was not accepted by Government.

Government had stated (March, 1959) that despite the objections, they would like to go ahead with the construction, but for the difficulties of foreign exchange. The fees paid to the architects and the quantity surveyors for dealing with the proposed construction amounted to Rs. 29,667. The expenditure, including ground rent upto 1957-58, incurred on the acquisition of the land was Rs. 28,560.

319. In extenuation, the witness stated that the land was obtained from the Kenya Government at a very cheap rate in the belief

that a 100 ft. road would be constructed by the Nairobi City Council in the near future in front of that area. Consequently the survey work was undertaken. But later on the City Council dropped the idea of constructing the road as a measure of economy. Meanwhile the place had lost its attractiveness as a large number of small houses of the middle class had sprung up there. As the Government could earn a lot of profit if they chose to sell the land, the expenditure of Rs. 28,560 on survey and plans was not infructuous. It was just in the nature of maintenance charges. The Ministry, however, intended to utilise the land for building quarters for the staff.

Irregular drawal of Exchange Compensation Allowance, Note 10, Page 46.

320. In an Indian Mission abroad the officers and staff, including the Head of the Mission, had been disbursed during August, 1950 to October, 1956, their emoluments (less P.F., etc. deductions) in rupees, instead of in local currency. They had also drawn Exchange Compensation Allowance thereon though such an allowance was admissible only on the emoluments drawn in local currency. The amount of exchange Compensation Allowance thus irregularly drawn amounted to Rs. 1,27,760 including Rs. 43,326 drawn by the Head of the Mission.

321. The Comptroller & Auditor General stated that the matter was examined on the basis of a letter from the Ministry to Audit and it was merely a case of technical irregularity.

Appropriation Accounts (Civil), 1956-57, Vol. VI Grant No. 22-Tribal Areas.

322. Out of the final provision of Rs. 6,66,08,000 under this grant, there was a saving of Rs. 1,96,94,767, viz., 30 per cent.

323. The witness stated that there had been a considerable improvement in budgeting in 1958-59. But certain difficulties still remained to be removed. The non-receipt of debits from Ministry of Defence who did the work was their particular difficulty. To the question how that difficulty was proposed to be removed the witness stated that one solution would be to ask the Defence Ministry not to raise the debits until the work was completed in the current year and the funds would be provided for in the next year's budget. The Defence Ministry were also in difficulty because neither the CGDA nor the DG(Supplies) was in a position to ascertain the amounts spent fairly accurately. The C. & A. G. felt that the solution proposed by the witness would not be technically correct and the matter required further discussion.

MINISTRY OF INFORMATION & BROADCASTING

Appropriation Accounts (Civil), 1956-57, Vo. X

324. Out of a total provision of Rs. 3,94,87,000 under Grant No. 132-Capital Outlay on Broadcasting there was a saving of Rs. 1,84,04,227. viz., 47 per cent.

325. The Secretary of the Ministry stated that over-budgeting had resulted because of the various delays. In one case, design for the construction of the permanent studios in Calcutta could not be finalised. In another case, land for the erection of a transmitter in Calcutta was not available. The C. & A. G. intervened to say that there had been considerable improvement in budgeting in 1958-59. The percentage of savings in this Grant "Capital Outlay on Broadcasting" had come down to 18.3 in 1957-58 and 7 in 1958-59.

Appropriation Accounts (Civil), 1957-58, Vol. X Grant No. 121— Capital Outlay on Broadcasting

326. The Committee noticed that as against the surrenders amounting to Rs. 63,94,000, there was a saving of Rs. 62,55,133 under this grant.

327. The witness stated that there had been some unanticipated adjustments of arrears due to enhanced prices of equipment under the Colombo Plan. He assured the Committee that the progress of expenditure was being watched practically month to month.

Grant No. 65—Broadcasting All India Radio

Financial Review by the Director General, A.I.R., Page 11

328. The loss on the working of the service (excluding the Radio Publications) for the year 1956-57 excluding 'Custom Revenue' amounted to Rs. 1,66,67,415.

329. The Committee wanted to know the steps taken to reduce the losses on the working of the A.I.R. The witness stated that besides the external services, the A.I.R. had to undertake broadcasting for universities, rural areas, plan publicity, schools, etc. It received no payment for this from the Ministries concerned. The total cost of these services was about Rs. 50 lakhs a year. The remaining programmes accounted for the rest of expenditure. In those programmes, the A.I.R. had constantly been making augmentations and improvements keeping in view the various linguistic areas. The number of transmitters had also been increased. In fact, the A.I.R. was equipped to cater to the needs of 10 to 20 million licence holders. But unfortunately there were only 1.6 million licence holders in the country at present.

330. To a question, he stated that he did not think that reduction in the licence fee would result in any augmentation of revenue; on the other hand there might be a fall in it because the augmentation of the number of sets depended more upon the availability of electricity, cost of radio sets, etc. Therefore, Government were experimenting with the diffusion system. They were also considering measures whereby radio industry could be persuaded to introduce in the market radio sets cheap enough to be within the reach of the public.

331. The Committee next drew attention to the levy of separate licence fee for each radio set in the same name. They wanted to know whether that would not discourage the people in having more radio sets when the Government were really anxious to encourage the people to possess more and more sets.

332. The witness stated that Government wanted more persons to possess sets and not persons possessing more sets. Moreover, persons who could afford to purchase more sets should also pay more licence fee.

333. When asked what was proposed to be done to raise the power of weak transmitters so as to make the programme heard all over a state, he stated that it depended on the availability of funds.

334. The Committee then drew attention to the constitution of the radio programme Advisory Committees for various stations. They were informed that those Committees were constituted in full consultation with the State Governments concerned. The Committee desired the Ministry to consider the feasibility of tribal peoples' representation in the Programme Advisory Committees in the States of Assam, Bihar, Orissa and Madhya Pradesh.

MINISTRY OF COMMUNITY DEVELOPMENT

Appropriation Accounts (Civil), 1957-58, Volume III

Grant No. 105—Capital Outlay of the Ministry of Community Development

335. Out of a total provision of Rs. 1,67,49,000 under this grant there was a saving of Rs. 1,02,06,314, viz., 60·9 per cent.

336. It was explained to the Committee by the Secretary of the Ministry that the estimates proved wrong due to non-arrival of equipments from U.S.A. under the T.C.M. agreements and over-estimating of their costs in the first instance on the advice of foreign experts.

337. Next, the Committee had some general discussion about the working of the Community project schemes, *viz.*, proportion of expenditure on administration and development, co-ordination of the work of various departmental agencies, cooperation of the peoples and their contribution in the development work.

338. *The Committee then adjourned till 14.50 hours on Thursday, the 3rd December, 1959.*

PROCEEDINGS OF THE THIRTY-SECOND SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE
3RD DECEMBER, 1959

339. The Committee sat from 14.30 to 17.15 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Pandit Jwala Prasad Jyotishi
4. Shri Radha Raman
5. Shri Rameshwar Sahu
6. Shri T. R. Neswi
7. Shri Raghubar Dayal Misra
8. Shri T. Sanganna
9. Shri Yadav Narayan Jadhav
10. Shri Shraddhakar Supakar
11. Shri Amolakh Chand
12. Rajkumari Amrit Kaur
13. Shri Rohit Manushankar Dave
14. Shri T. R. Deogirikar
15. Shri Surendra Mohan Ghose
16. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri A. Kalayanaraman, *Deputy Comptroller & Auditor General of India.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Peputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Rehabilitation

Shri Dharma Vira, *Secretary*.

Shri I. N. Chib, *Deputy Chief Settlement Commissioner*.

Ministry of Finance (Department of Expenditure)

Shri M. S. Bhatnagar, *Financial Adviser*.

Ministry of Finance (Department of Economic Affairs)

Shri M. V. Rangachari, *Special Secretary*.

Shri K. P. Mathurani, *Additional Secretary*.

Shri A. G. Krishnan, *Under Secretary*.

Rehabilitation Finance Administration

Shri R. N. Hazari, *Chief Administrator*.

MINISTRY OF REHABILITATION

Irregular withdrawal of funds to avoid lapse of grant—para 34 of Audit Report, 1958, pages 34-35.

340. In December, 1956, a sum of Rs. 2·70 lakhs was sanctioned for payment during 1956-57 to a State Government for giving small loans to displaced persons having no compensation claims and living in urban areas. The amount was to be drawn as and when required for immediate payments. No money was, however, drawn by the State Government upto 21st March, 1957. A Directorate of the Central Government which had in the meanwhile taken over the work from the State Government, was authorised on 21st March, 1957 to draw the full amount for disbursement upto 30th April, 1957 subject to refund of the unspent balance, if any, on that date. The amount was drawn on 31st March, 1957 with a view obviously to avoiding lapse of the grant. A sum of Rs. 2,14,900 was spent during April, 1957 but the balance of Rs. 55,100 was not refunded to Government. On 8th May, 1957, Government issued a sanction allowing the Directorate to utilize the balance upto 15th May, 1957. A sum of Rs. 45,600 was disbursed upto that date and two sums, viz., Rs. 4,000 and Rs. 5,500 comprising the balance were credited to Government on 18th June, 1957 and 7th September, 1957 respectively.

341. Explaining the reasons for the non-utilisation of the funds during the year, 1956-57, the representative of the Ministry stated that this work was taken over by the Ministry from the State Government on the 1st February, 1957. As a large number of applications were pending for examination, the money could not be disbursed before the close of the financial year.

342. In reply to a question as to why the Directorate was authorised to draw the full amount of Rs. 2.70 lakhs on the last day of the financial year in contravention of the financial rules when it could not be disbursed during the financial year, the representative of the Ministry stated, in extenuation, that as the sanction for the next year would have taken a number of months, the Directorate was allowed to draw and retain the amount with the concurrence of the Ministry of Finance to avoid the delay in the payment to the displaced persons.

343. The Committee enquired why the Ministry of Finance concurred in this proposal when it was not in accordance with the rules and regulations and when it was always open for them to include necessary provisions in the Vote on Account or to draw upon the Contingency Fund in case of urgent need. The representative of the Ministry of Finance could not give any satisfactory reply.

344. The Committee wanted to know where this large sum of money was kept during this interval. The representative of the Ministry promised to furnish the information later as it was not readily available with him.

Irregular withdrawal of funds to avoid lapse of grant—para 34(b) of Audit Report, 1958, page 35.

345. A sum of Rs. 17,500 was sanctioned by Government to another State Government during 1954-55 for the purpose of grant of small urban loans to displaced persons settled there. Although the amount was to be utilised by 31st March, 1955 and the unspent balance refunded to Government, the whole amount remained unutilised during 1954-55 and 1955-56. It was in 1956-57 that a sum of Rs. 1,000 only was spent, and Rs. 13,000 was refunded to Government, leaving a balance of Rs. 3,500 for utilisation during 1957-58.

346. In reply to a question as to why the amount was not surrendered by the State Government the representative of the Ministry stated that though the State Government were asked on the 14th April, 1956 to surrender the unspent balance, no reply was received from them. In May, 1957, however, the State Government, while refunding a sum of Rs. 13,000, requested the Ministry for retention of the balance of Rs. 3,500 for utilisation during 1957-58 as the amount was small and had been earmarked by them for payment to a particular displaced person who could not furnish proper security before the close of the financial year. The Ministry of Finance had also concurred in this. The Committee, were, however, informed that this amount had not yet been utilised by the State Government and the Ministry had asked the State Government to surrender the sum. The Committee were also informed

that interest on the unspent balance had been charged from the State Government from 1st April, 1955.

Faridabad Development Board—Loss in the working of the Institute
—Para 35 of Audit Report, 1958, pp. 35—37.

347. The Faridabad Development Board advanced a sum of Rs. 24 lakhs to an 'Indian Co-operative Union' formed to organise Small Scale Industries, as loan during the period 1949 to 1952. It opened a Training Centre also. The Training Centre with its assets of Rs. 94,930 was taken over in March, 1950 by the Board and renamed a Technical Institute. Subsequently from 1st October, 1952 it was treated as a Commercial Department.

The factories started by the Union were also closed down in February, 1953 and were taken over by the Board. They were run for a time as 'Co-operative Industries' but were later merged with the Technical Institute in July, 1954. As the Institute was running at a heavy loss, the Textile and the other units were disposed of in January, 1955 and October, 1956 respectively. The final accounts of the Technical Institute showed a total loss of Rs. 26 lakhs as on 28th February, 1959.

348. According to Audit, the major reasons which contributed to the losses were that the factories were taken over in March, 1953 from the Co-operative Union without detailed examination and the assets, raw materials, finished products and the waste and by products were transferred at the book value without proper assessment of their condition, market value and future use. As an instance, the Committee were informed that of the timber valued at Rs. 54,902, timber worth Rs. 27,000 being scrap wood, was taken over by the Board at the rate of Rs. 13 per maund while the market rate was Rs. 28½ per maund. (The timber was stated to have been eaten away by white ants resulting in a loss of Rs. 40,008 on the disposal of the affected timber). Lack of proper development programme and delay in the disposal of the idle assets also resulted in the deterioration of the assets. Neither proper accounts were maintained in the case of many factories, nor effective control exercised over them.

349. Explaining the reasons for the non-maintenance of the accounts, the representative of the Ministry stated that till 1953, when the Board took over the factories, the accounts were in a chaotic condition and were being kept in a single account for all the units. The Board had, therefore, to reconstruct all these accounts for various units separately which took some time.

350. In reply to a question whether while granting the loan to the Co-operative Union, the Ministry ensured that the loan was utilised for the purpose for which it was granted and whether any security was taken for the loan advanced, the representative of the Ministry stated in extenuation that the members of the Co-operative Union were eminent persons having experience of work in the social field. However, there was no representative of the Government on the Co-operative Union. No security was also taken from the Union for the loan advanced by the Government.

351. In reply to another question, the Committee were informed that no enquiry was held for ascertaining the reasons for the heavy losses suffered by the Co-operative Union. However, it was stated in extenuation, that the reconstructed accounts did not disclose any defalcation though, it was admitted, that there had been considerable mismanagement in the Union.

Losses in the working of the Diesel Engine Factory, Pages 37-38 of Audit Report, 1958.

352. The Faridabad Development Board had secured about 257 machine tools out of the German Reparation stocks which included almost all the equipment for a factory for the manufacture of complete diesel engines. A scheme for the manufacture of "Deutz" type of engines had to be given up after incurring certain unproductive expenditure because the foreign firm who were to participate in the implementation of the scheme refused to do so at a later stage as their Indian associate had dropped out. Later a scheme for the manufacture of "Herford" Diesel engines was approved in July, 1953 for the manufacture of 600 engines per year at a total estimated cost of Rs. 16.42 lakhs. The cost of each engine was estimated at Rs. 1900 and it was expected to be sold at a profit of Rs. 500 per unit.

The working results of the Factory up to 22nd May, 1955 (when it was sold to a private party) showed a loss of Rs. 6.69 lakhs (including unproductive expenditure on the scheme for manufacture of 'Deutz' type of engines and interest on capital at 4% of Rs. 1.43 lakhs). The net loss was reduced to Rs. 4.14 lakhs after adjustment of the sale proceeds.

353. Explaining the reasons for the loss suffered by the factory, the representative of the Ministry stated that although the capital assets of the factory had been sold at a profit of Rs. 2.55 lakhs, the loss on the working of the factory amounted to Rs. 6.69 lakhs showing a net loss of about Rs. 4.14 lakhs in the whole transaction. The loss in the working of the factory was attributed mainly to the lack of trained workers resulting in lower output than anticipated.

354. In reply to a question the Committee were informed that the private firm to whom the machines had been sold were manufacturing another type of engine in collaboration with some German firm and it expected to make profits from next year.

Sindhu Resettlement Corporation Limited—changes in terms relating to repayment of loans and Unauthorised utilisation of Government of India loans—para 52 of Audit Report, 1958 pages 57 58.

355. The Central Government advanced loans amounting in all to Rs. 1.10 crores in instalments beginning from May, 1949 to the Sindhu Resettlement Corporation for constructing 4,000 houses in the Gandhidham Township in Kutch for displaced persons from Sind. A further loan of Rs. 10 lakhs was given to the Company in September, 1951 for the construction of 160 two-roomed twin-cottage type houses. Originally these loans were met from the Consolidated Fund but subsequently it was decided to treat them as advances from the Compensation Pool for Displaced Persons. The terms of repayment of these loans were changed from time to time. Some of the buildings had been charged to the accounts of the first loan by the Corporation although they were not covered by the conditions of the first loan.

356. Giving the latest position regarding the repayment of loan by the Corporation, the representative of the Ministry stated that out of Rs. 145 lakhs in all (Rs. 120 lakhs as loan and Rs. 25 lakhs as interest thereon) payable by the Corporation a sum of Rs. 8.97 lakhs had been received in cash from the Corporation and a sum of Rs. 1.18 lakhs by adjustment of compensation claims. A further sum of about Rs. 13—14 lakhs was expected to be adjusted out of the claims in hand. The balance of about Rs. 4.5 lakhs only was also expected to be realised.

357. Explaining the reasons for the unauthorised utilisation of the loans by the Corporation, the representative of the Ministry stated that the Corporation had utilised some funds to improve the condition of some of its properties to increase their market value and had constructed a few other buildings for the purpose of sale. The sale of all the properties in turn enabled the Corporation to repay the loan to the Government and, therefore, the Ministry ignored this irregularity in the utilisation of the loans on the part of the Corporation.

Outstanding arrears of rent in respect of evacuee properties—para 32 of Audit Report, 1959—Page 30.

358. The management, collection of rent and accounting thereof etc. of the evacuee properties were entrusted to custodians appointed

under the Administration of Evacuee Property Act, 1950. The Act provided that any sums due as rent etc. to Government could be recovered as arrears of land revenue. Most of these properties were later on acquired by the Central Government under the Displaced Persons (Compensation and Rehabilitation) Act, 1954 and the Rules made thereunder, for the purpose of "compensation pool" and the remaining properties were still in the process of acquisition.

The accounts of these properties as on 31st March, 1958 showed that arrears of rent amounting to about Rs. 561.38 lakhs were due for recovery from the various categories of occupants (including Government Departments and Government Servants).

359. The representative of the Ministry explained the reasons for the arrears of rent under various categories. As regards arrears of rent from displaced persons amounting to Rs. 293.82 lakhs on 31st March, 1958 he stated that the amount was somewhat unreal because according to the decision taken by Government any displaced person who was in possession of any allotable property below Rs. 10,000 in value was entitled to buy that property against his claims if he was a claimant and on payment in suitable instalments if he was a non-claimant. Moreover, no rent would be recoverable from the purchasers of these properties from 1st October, 1955 and therefore, the arrears of rent from that date onwards will have to be written off after final adjustment of these properties in most of the cases as a majority of the displaced persons—both claimants and non-claimants had expressed their desire to purchase these properties.

360. As regards arrears of rent from non-displaced persons it was stated that even though the non-displaced persons of certain categories had also been allowed to purchase such properties of the value of less than Rs. 10,000 on instalments, most of these people being very poor were unable to purchase such properties. It was also stated that some of the arrears of rent outstanding against such persons might have to be written off.

361. Explaining next the difficulty in recovering arrears of rent due from Government servants, the witness stated that such arrears could not be recovered at source from their salary bills. It was also not considered desirable so far to adopt the extreme remedies of recovery of rent as arrears of land revenue or arrest in the case of wilful default. Instructions had now, however, been issued by the Ministry to resort to such measures to recover the arrears of rent. The arrears of rent due from Government Departments were also expected to be realised.

362. In reply to a question the Committee were informed that arrears of rent from untraceable occupants amounting to Rs. 78·24 lakhs on 31st March, 1958 might also have to be written off.

Overpayment of compensation to a Displaced Family—para 33 of Audit Report, 1959—pages 30-31.

363. Rule 19 of the Displaced Persons (Compensation and Rehabilitation) Rules, 1955 as amended on 4th September 1956, provided that the heirs of a deceased head of an undivided Hindu family were to be treated as a one-member family for the payment of compensation. (They were treated as individual members of a joint family and could secure compensation at a higher scale before the amendment).

During the test audit of the compensation payments made in 1957-58, it was noticed by Audit that one of the six heirs of the head of an undivided Hindu family who died in 1948, was paid compensation in September, 1958 on the basis of higher scale admissible under the rule as it stood prior to the amendment of the 4th September, 1956. This resulted in an extra payment of about Rs. 12,000 to the claimant. The cases of the remaining five heirs had not been finalised till June, 1959.

364. Explaining the reasons for the payment of compensation according to the old rule, the representative of the Ministry stated that as this case had been finalised before the amended rule came into force, the payment had to be made according to the old rule and the Ministry of Law also agreed to this. It was, however, brought to the notice of the Committee, that in a similar case where the amount of construction loan was calculated under the unamended rule, it was held by the Chief Settlement Commissioner that if more compensation became payable after the rule was amended, the final payment should be worked out according to the amended rule even though loan might have been advanced earlier. The Committee wanted to know the reasons for this disparity. The representative of the Ministry who was not aware of the other case pointed out, promised to look into it. He agreed with the Committee that there should be consistency in the application of the rule.

Sale of Stone ballast without calling tenders—Appropriation Accounts 1957-58—Vol. XIV, page 9, Note 5.

365. To provide employment to persons living in a township built for Displaced Persons, Government arranged to continue from 1951-52 the work of quarrying and breaking of stone ballast, the ballast costing Rs. 17 on an average per 100 cft.

In January, 1954, a private firm offered to purchase the accumulated stocks (estimated at about 18 lakhs cft.) at Rs. 7|8| per 100 cft. The offer to purchase the ballast was accepted in March, 1954 (without ascertaining competitive rates) even though the ballast was being sold by the Township Board itself to private parties at Rs. 12 per 100 cft. in small lots.

366. Explaining the reasons for selling the ballast at a low rate of Rs. 7/8/- per 100 cft. the representative of the Ministry stated that the market price of Rs. 12 per 100 cft. was only for small lots whereas the sale to this particular firm was in bulk for the entire quantity of stone ballast. No explanation was, however, forthcoming for not calling tenders in this case.

REHABILITATION FINANCE ADMINISTRATION

General Financial Review—para 49 of Audit Report, 1958, pages 49—52.

367. The total amount of debit balances against the loanees on account of principal and of interest upto 31st December, 1958 were Rs. 7,43·76 lakhs and Rs. 1,31·25 lakhs respectively which included Rs. 4,03·24 lakhs and Rs. 1,12·06 lakhs on account of overdue instalments of principal and interest respectively.

368. Giving the latest position regarding the recovery of these loans, the representative of the Rehabilitation Finance Administration stated that as on 31st October, 1959, the total amount outstanding against the loanees on account of principal and interest was Rs. 6,63 lakhs and Rs. 1,19 lakhs respectively. The total provision for bad and doubtful debts upto 31st December, 1958 was Rs. 92·58 lakhs. However, only Rs. 584 had been written off to the end of June, 1959. It was further stated that the provision for bad and doubtful debts varied with the change in the value of the securities and guarantees offered against loans.

369. Explaining the reasons for the increase in the overdue amounts of both principal and interest, the representative of the Administration stated that in the case of displaced persons from West Pakistan, necessary credits had not yet been passed on out of their compensation claims by the Ministry of Rehabilitation. In the case of loanees from the Eastern Region, some of the cases had been referred to the Collectors for recovery and were pending with them.

370. In reply to a question the Committee were informed that the grant of the loans to displaced persons had been almost stopped except in the case of loans to East Pakistan refugees, who were

being granted loans to the order of Rs. 20 lakhs a year. The main function of the Administration at present was the recovery of outstanding loans.

Inadequate scrutiny of Essential Documents—para 49 of Audit Report—Pages 50—52.

371. The Administration sanctioned a loan of Rs. 35,000 on 18th May, 1949 to a partnership concern for the manufacture of handloom sarees. A further loan of Rs. 12,000 was sanctioned on 26th/27th February, 1954 out of which Rs. 11,709 were disbursed in instalments prior to 21st January, 1957, despite the adverse report from the Secretary, Commerce and Industries Department, West Bengal Government and even when the concern had committed many irregularities with regard to the first loan viz. spending the loan for personal maintenance, non-maintenance of proper accounts and the absence of trade licence or the yarn quota for power looms, etc. A sum of Rs. 53,804 including Rs. 7,751 as interest was outstanding against this concern on the 31st October, 1958. The borrower had agreed to clear up the outstanding interest by making payments at the rate of Rs. 1,000 per month from August, 1958 and thereafter to repay the loan in instalments of Rs. 500 per month.

372. Giving the latest position regarding the recovery of the loan, the representative of the Administration stated that amount due for interest would be cleared by the end of the current month. The Administration had also made temporary arrangements with the concern for the payment of Rs. 500 per month for 6 months towards payment of principal. It was also stated that as this concern had employed about 200 displaced persons from East Pakistan, the Administration did not want to take coercive measures.

373. The Chairman also brought to the notice of the Secretary of the Ministry of Finance the undue delay (about 9 months) in the submission of notes on points on which the Committee desired in January, 1959 to be furnished with further information and pointed out that such delays in the submission of the notes rendered the work of the Committee difficult and did not help them in coming to correct conclusions in each case. The Secretary of the Ministry regretted for the delay and stated that the Ministry had taken note of the suggestion of the Committee for the future.

374. *The Committee then adjourned till 9.30 hours on Friday, the 4th December, 1959.*

PROCEEDINGS OF THE THIRTY-FOURTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 4TH
DECEMBER, 1959

275. The Committee sat from 14.30 to 17.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri Radha Raman
4. Shri Raghubar Dayal Misra
5. Shri T. R. Neswi
6. Shri T. Sanganna
7. Shri Shraddhakar Supakar
8. Shri Amolakh Chand
9. Rajkumari Amrit Kaur
10. Shri Rohit Manushankar Dave
11. Shri T. R. Deogirikar
12. Shri Surendra Mohan Ghose
13. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Finance

Shri A. K. Roy, *Secretary, Departments of Economic Affairs & Revenue.*

Department of Economic Affairs

Shri M. V. Rangachari—*Special Secretary.*

Shri A. Bakshi—*Joint Secretary.*

Shri Shiv Naubh Singh—*Joint Secretary.*

Department of Revenue

Shri E. S. Krishnamoorthy—*Chairman, C.B.R.*

Department of Expenditure

Shri N. N. Wanchoo—*Secretary.*

Shri K. L. Ghei—*Joint Secretary.*

Shri Inderjit Singh—*Joint Secretary.*

MINISTRY OF FINANCE (DEPARTMENT OF REVENUE)

Audit Report (Civil), 1958—Part—I

Evasion of Leave Rules, Para 18, Page 17

376. The normal rules of Government limit the leave on average pay in India admissible to Government servant to 4 months at a time (without medical certificate) and to 8 months at a time (with medical certificate) and the rules contemplate that before another period of leave on average pay could be availed of by a Government servant, he should have put in a reasonable period of duty.

A Preventive Inspector of the Customs Department was granted leave as follows:—

		Months
Leave on average pay	8-3-55 to 7-7-55	4
Leave on average pay on Medical certificate	8-7-55 to 7-11-55	4
Leave on half average pay	8-11-55 to 7-1-56	2
(Duty on 8 to 10-1-56—3 days)		
Leave on average pay	11-1-56 to 10-5-56	4
Leave on average pay on Medical certificate	11-5-56 to 10-9-56	4
(Duty on 11-9-56—one day only)		
Leave on average pay	12-9-56 to 11-1-57	4

The additional spells of leave on average pay were given after a duty of only one to three days thus violating the spirit of the rules.

The authority sanctioning the leave had discretion to refuse further leave on average pay after short spells of duty. By not exercising such discretion reasonably, it had actually allowed the Inspector to enjoy leave on full average pay for a total period of 20 months, within a period of about 22 months and 4 days. This infringement of the spirit of the rules had resulted in an overpayment of Rs. 2,890, in leave salary, to the Inspector.

377. It was explained to the Committee by the Secretary of the Ministry that leave on average pay from 11th January to 10th May, 1956, was not applied for on the basis of a medical certificate. It could have been refused and as such he would not seek to justify grant of this leave. The Inspector was suffering from paralysis and although he produced a fitness certificate before joining duty on the 8th, there was a relapse and so a compassionate view was taken. To a question the witness stated that the Inspector had retired from service and Government had issued instructions to prevent abuse of the leave rules.

Guarantees given by the Central Government, Para 56, Pages 76-77.

378. Article 292 of the Constitution extends the executive power of the Union to borrow upon the security of the Consolidated Fund of India and to give guarantees, both within such limits, if any, as may be fixed by Parliament by law. Parliament has not yet enacted any law in this connection. Nor is there any convention for obtaining the approval of Parliament to the guarantees given. The total amount covered by the guarantees given by the Government (excluding commitments for dividends and interest) came to Rs. 1,61,14,02,198 of which Rs. 90,71,70,200 related to guarantees on behalf of private industrial units. As these guarantees constituted a contingent liability on the revenues of India, it was desirable, if not necessary, to keep Parliament informed of the nature and amount of the guarantees given.

379. The Committee were informed by the Secretary of the Ministry that the Government were agreeable to this suggestion and the Ministry of Finance would place the requisite information before Parliament in a consolidated statement covering all such guarantees given in a particular year.

Outstanding demands of income-tax revenue, Para 57, Pages 78-79.

380. According to Audit, outstanding arrears of income tax on 1-4-59 stood at Rs. 293.71 crores against Rs. 287.32 crores on 1-4-1958.

381. The Committee enquired about the reasons for these outstandings. The witness stated that these outstandings did not give a correct picture of the effective arrears. For instance, about Rs. 8 crores were due from persons who had left India and had no assets behind. Similarly, there was a sum of Rs. 10 crores which if collected now, will have to be returned subsequently as double income tax relief. Another sum of about Rs. 6 crores was irrecoverable from companies which had gone into liquidation. Further, out of the amounts against certificates issued by the Collectors, about Rs. 27 crores were irrecoverable as the assesseees had died without leaving any assets. Another sum of Rs. 30 crores was under appeal which might bring down the effective amounts to Rs. 15 crores only.

382. The Committee expressed concern over the magnitude of arrears of income tax. They desired to know whether Government were satisfied with the progress of collection. The witness stated that the position in this regard was not satisfactory as Government faced many difficulties. A large number of writ petitions, alienation of their assets by the assesseees and dependence on Collectors in States for collecting arrears of Income Tax who generally accorded priority to collection of State revenues were some of the chief difficulties.

383. Explaining the steps Government intended to take to speed up collection, the witness stated that Government had an idea of having a Central Revenue Recovery Act to empower Income Tax Officers themselves to collect the arrears. But with the present staff they would not be able to take up that work. The Government were, therefore, trying to meet the situation by taking up the matter with State Governments and also getting special Collectors appointed for the job. Efforts were also being made to settle many of the cases out of court in order to avoid waste of time and money.

384. The Secretary of the Ministry stated that there were pending before the various courts in the country 619 writ petitions, which provision was a new feature in the Constitution. The Committee enquired whether conferment of more powers on the Income Tax Department would help in the work of collection of arrears. The Secretary observed that personally he would not advocate that the Income Tax Officers should be given any drastic powers.

385. Next, the Committee enquired whether Government had an effective machinery to ensure that all the taxable persons were assessed for the purpose of income tax. The witness stated that the cases of the old assesseees were taken up every year. About the new assesseees, Government looked into the accounts of various transactions

that came their way. The Income Tax Act also required any payment of interest on securities of over Rs. 400 to be reported to the Income Tax Officers. Further, under the Companies Act, the companies were under the obligation to deduct income tax on the dividends disbursed to the shareholders. Besides, the survey staff of the Department conducted door to door inquiries about the residents and their incomes. Asked about the tax evasion he stated that it might be about Rs. 30 crores in a year.

DEPARTMENT OF EXPENDITURE

Clearance of outstanding objections, Para 59, Pages 80-81.

386. The total number of objections relating to the period upto 31st March, 1957, outstanding in the books of the Audit Offices and their money value had been 1,33,483 and Rs. 78,87,10,150 respectively. Some of these dated back to 1945-46 and included the want of estimates/sanctions, excess over estimates, want of detailed bills, vouchers (including stamped receipts), want of recovery or write off, non-finalisation of rates, etc. The clearance of these appeared to have been delayed without adequate reasons or justification. Further delay in their settlement was likely to lead *inter alia* to the continuance of the same type of irregularities.

387. The Committee noticed that the total number of objections upto 31st March, 1956 outstanding in the books of Audit Offices was 95,997; their money value being Rs. 57,76,90,086. The Secretary of the Department stated that in order to improve the situation, besides the general instructions to the Ministries to pay special attention to the audit objections, a new procedure had been devised in consultation with Audit. According to it the concerned Accountants General would send to the Financial Advisers in the Ministry of Finance, half-yearly, a list of outstanding audit objections. These Financial Advisers would hold meetings with their counterparts in the administrative Ministries to speed up their settlement. He hoped that the new procedure would bring about an improvement in the situation.

DEPARTMENT OF REVENUE

Audit Report (Civil), 1958—Part—I

Abandonment of irrecoverable penalty, Para 19, Pages 17-18.

388. A personal penalty of Rs. 2 lakhs had been imposed by a Customs Collector in June, 1954, on the Second Engineer of a foreign vessel for the attempted smuggling of 8983.94 tolas of gold valued at Rs. 8,22,003 from abroad. It had been stipulated that the fine should be paid before the vessel left the port. The Second Engineer was subsequently prosecuted in a Court and sentenced on 31st July, 1954

to pay a fine of Rs. 1,000. The Second Engineer had, however, been allowed to leave the country in September, 1954 in spite of the fact that the personal penalty imposed on him had not been paid. As the amount had become irrecoverable it was waived in April, 1957 by the Collector, under his powers.

No action could be taken against the owners of the vessel or their local agents as the penalty had been imposed on the Second Engineer in his personal capacity; nor could the vessel be refused port clearance on the same ground. Provision had, however, since been made in the Sea Customs Act whereby a vessel constructed, adapted, altered or fitted for the purpose of concealing goods was liable to confiscation and the Master of such vessel also liable to a penalty not exceeding one thousand rupees.

389. Explaining the light punishment of a fine of Rs. 1,000 awarded to the Second Engineer, the Secretary of the Ministry stated that the man had been in jail for about 2 months. He had not concealed any fact. The gold had been confiscated and a personal penalty of Rs. 2 lakhs imposed. Moreover, the customs authorities had no powers to stop the man from leaving the country.

390. The Comptroller & Auditor General intervened to say that the Commissioner of Police, Calcutta before releasing the passport to the Second Engineer had written to the customs authorities about the matter. But the latter had no objection to the release of the passport and stated that they had no claims against the Engineer. The witness stated that he had no such information.

391. The Committee next enquired about the orders under which the fine of Rs. 2 lakhs had been remitted. The information being not available readily, the witness promised to furnish a note to the Committee in this behalf. Asked whether the punishment in the case would act as a deterrent, the witness replied in the negative and stated that on the advice of the Ministry of Law an appeal was not considered necessary as that *inter alia* might have reopened the question of confiscated gold.

DEPARTMENT OF ECONOMIC AFFAIRS

Extra expenditure incurred due to delay in erection and installation of a silver refinery plant, para 20, Pages 18-19.

392. On 27th June, 1956 an agreement had been entered into by Government with a firm in India for the erection and installation of a Silver Refinery Plant. The agreement provided for the completion of the work within 14 months from the date of commencement of work, i.e., by the end of November, 1957. But it was completed only

in December, 1958 and its trial testing was stated to be in progress in February, 1959. The delay in the completion of work had resulted in an extra expenditure of Rs. 4,34,827, which had not so far been regularized.

393. It was explained by the representative of the Department that the target date for the completion of the civil engineering works by the end of October, 1955 could not be adhered to due to delay in the procurement of steel, correspondence with the German firm about the changes in the lay-out, unanticipated foundation work, etc. The Additional Chief Engineer, C.P.W.D. stated that in spite of the various delays, the building of the plant had been completed on 31st July, 1956, i.e. two months before the commencement of the installation of the plant. It was, therefore, not correct to say that delay in the erection of plant was mainly due to the delay in the execution of certain civil engineering works.

394. Explaining the position, the representative of the Ministry of Finance stated that the real delays were encountered in the erection of the water tower outside the main building. While excavating the soil, huge stone boulders were met with and the elimination of these had not been stipulated in the contract with the contractor. An explosion in the plant on the 27th December, 1958 had further delayed the commissioning of the plant. Now the testing in certain parts of the plant was complete; in other parts this work was still going on. But silver was being refined although the quantity refined needed augmentation.

395. In reply to a question, the representative of the Ministry stated that after all the silver had been refined, the refinery would be utilised for refining copper. The matter was under examination.

Appropriation Accounts (Civil), 1957-58, Volume I.

Grant No. 28-Customs.

Clearance of goods under cover of forged documents—Note 10. Page 12.

396. Between March and July, 1954, a firm of Clearing Agents, on completion of the formalities regarding noting and classification of the Bills of Entry and registration and pre-audit of the Import Licences, had not presented these bills of Entry to the Accounts and the Cash department for payment of duty in the Custom House. While the Bills of Entry (which were presented in duplicate at the Customs House) were in the possession of the Clearing Agents, they impressed on them forged duty stamps and forged the signatures

of the Deputy Superintendent of the Accounts department and of the persons authorised to sign and destroyed the original Bills of Entry which had to be retained in the Custom House.

On the strength of the duplicate Bill of Entry the Clearing Agents cleared the goods in 18 cases from the Port Commissioners shed thereby defrauding the Government of Customs revenue to the extent of Rs. 29,938.44. Remedial measures with a view to preventing recurrence of similar frauds had been taken by the Customs House. Acting on the complaint lodged by the Custom House, the Clearing Agents were prosecuted in February, 1955 by the Police but discharged for want of sufficient evidence.

397. The Committee enquired how forging of documents by an individual went undetected in 18 cases. The witness stated that according to the original procedure, such cases could not be detected immediately. But the procedure had since been revised. Second and third checks had been introduced and special staff for the purpose appointed. To a question he stated that detailed investigations in these cases had shown no complicity of the staff.

Grant No. 38-Miscellaneous Departments and other Expenditure under the Ministry of Finance

Expenditure on Pay Commission, Group-head C.I. (7), Note 8. Page 137.

398. A Commission of Enquiry into the structure of the emoluments of the Central Government employees had been set up with effect from 1st September, 1957. No funds had been specifically provided to cover this expenditure in the budget. An expenditure of Rs. 2.17 lakhs had been incurred during 1957-58 and met by reappropriation within the grant. Audit held the view that the appointment of the Commission constituted a "New Instrument of Service" and funds, therefore, should have been provided by a supplementary token vote of Parliament. On the other hand, Government had expressed the view that the setting up of this Pay Commission was not a case of "New Service" since that was not the first Pay Commission set up by Government and expenditure involved was also not large and that it was not necessary to obtain a specific supplementary or token grant from Parliament.

399. In evidence, the representative of the Ministry agreed with the view that the expenditure on the Pay Commission constituted a "New Instrument of Service" but was not sure whether the expenditure of about Rs. 2 lakhs was large enough to require specific approval of Parliament. The Secretary of the Ministry stated that he was in agreement with the views of the Comptroller & Auditor

General and in such cases Government would come before Parliament for prior sanction in future.

Grant No. 35-Mint

Loss due to shortage of metal in a Mint, Note 6 Pages 108-109.

400. Consequent on the detection in June, 1954 of a theft of cupronickel worth Rs. 60/- committed by a subordinate custodian of stores, the entire stock of cupro-nickel in the Department was subjected to physical verification and a shortage of 7808.7 tolas worth Rs. 545 was detected. The official suspected of theft was dismissed from Government service and prosecuted but was acquitted by the Court. His subsequent application for reinstatement in his post was rejected by the High Court. The loss was recovered from the Principal Custodian of the stores in September, 1954.

In October, 1954, on receipt of certain information, physical verification of the stock of nickel brass was conducted and 1,57,001 tolas of the metal worth Rs. 6,454 were found short. The loss was finally written off by Government in January, 1959 on the ground that the responsibility could not be squarely fixed on any one. Audit had stressed the need of a cent per cent. physical verification of stores by an agency independent of the superior Executive Officer incharge of stores.

401 The Committee inquired why responsibility for the loss could not be fixed. The witness stated that senior officers had been deputed to make a special enquiry into it. But they had not been able to fix individual responsibility on any one. The security measures had, however, been tightened up since then. The rules for checking up of stores were under finalisation in consultation with Audit. He assured the Committee that verification of Stores at the Mint would be carried out regularly.

Excesses over Charged Appropriations.

402. The following were the three cases of Excesses Over Charged Appropriations in the Grants of the Ministry of Finance during 1957-58.

- (1) 28—Customs—Excess Rs. 1027.
- (2) 30—Taxes on Income including Corporation Tax and Estate Duty—Excess Rs. 5255.
- (3) Interest on Debt and other obligations and reduction or avoidance of Debt—Excess Rs. 1,21,43,472.

On the 27th August, 1959, the Ministry of Finance were *inter alia* addressed to furnish the Committee with notes stating the

reasons leading to these excesses and why these could not be anticipated and provided for. A note setting forth the requisite information in respect of S. No. (3) above was received on 12-11-59. Whereas the notes relating to the other two Grants were still awaited in spite of the reminder issued on 28th October, 1959.

The Committee were critical of the inordinate delay on the part of the Ministry of Finance in the submission of these notes. The representative of the Ministry promised to furnish these notes without any further delay.

Outstanding Recommendations

Para 195 of Seventh Report (Second Lok Sabha) — Commercialisation of the accounts of A.I.R.

403. The Public Accounts Committee (1957-58) had desired that the outcome of the review by the Economy Unit may be expedited and reported to them.

Explaining the latest position, the Ministry of Information and Broadcasting had stated that the Special Reorganisation Unit would take about one year more to complete the study of staff position of the A.I.R.

When asked about it, the Committee were informed by the Joint Secretary (Economy) that the work would be completed within a period of 6 to 9 months.

404. *The Committee then adjourned till 10.00 hours on Saturday, the 5th December, 1959.*

PROCEEDINGS OF THE THIRTY-FIFTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON SATURDAY, THE
5TH DECEMBER, 1959

405. The Committee sat from 10.00 to 12.45 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri Shamrao Vishnu Parulekar
4. Shri Radha Raman
5. Shri T. R. Neswi
6. Shri Raghubar Dayal Misra
7. Shri T. Sanganna
8. Shri Shraddhakar Supakar
9. Shri Amolakh Chand
10. Rajkumari Amrit Kaur
11. Shri Rohit Manushankar Dave
12. Shri T. R. Deogirikar
13. Shri Surendra Mohan Ghose
14. Shri Jaswant Singh.

Shri A. K. Chanda—*Comptroller & Auditor General of India.*

Shri A. Kalyanaraman—*Dy. Comptroller & Auditor General.*

Shri S. Venkataramanan—*Accountant General, Central Re-
venues.*

Shri P. K. Sen—*Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Education

Shri K. G. Saiyidain—*Secretary.*

Shri K. R. Ramachandran—*Dy. Secretary.*

Shri A. C. Bose—*Financial Adviser*

Shri Prem Narain—*Dy. Financial Adviser.*

Ministry of Scientific Research & Cultural Affairs

Shri A. K. Ghosh—*Joint Secretary.*

Shri P. M. Sundaram—*Secretary, Council of Scientific and Industrial Research and ex-officio Joint Secretary.*

Shri A. V. Venkateswaran—*Financial Adviser.*

Ministry of Health

Shri V. K. B. Pillai—*Secretary.*

Col. Jaswant Singh—*Director General, Health Services.*

Dr. M. S. Chaddha—*Dy. Director General, Health Services.*

Shri S. Vohra—*Financial Adviser.*

Ministry of Irrigation and Power

Shri T. Sivasankar—*Secretary.*

Shri P. P. Agarwal—*Joint Secretary.*

Shri M. Hayath—*Chairman, Central Water and Power Commission.*

Shri M. S. Thirumale Iyengar—*Chief Engineer, Hirakud Dam Project.*

Ministry of Works, Housing and Supply

Shri V. N. Rajan—*Director General, Supplies & Disposals.*

Ministry of Finance (Deptt. of Economic Affairs)

Shri A. R. Shirali—*Addl. Budget Officer.*

MINISTRY OF EDUCATION

Audit Report (Civil), 1958

Drawal of funds against letters of credit—Para 20 (a). pages 19-20.

406. According to Audit, the Ministry of Education had been allowed to draw funds, since 1949-50, against letters of credit for expenditure on various schemes, subject to detailed accounts in respect of such withdrawals being submitted to Audit monthly. In contravention of the orders in nearly all cases, consolidated accounts

for the total amount drawn were rendered by the Ministry long after the completion of the schemes. Out of the total amount of Rs. 57.91 lakhs drawn during the years 1955-56, 1956-57 and 1957-58, accounts for amounts aggregating Rs. 45.56 lakhs were outstanding upto the end of 1957-58.

407. Acquainting the Committee with the background of the case, the representative of the Ministry of Education stated that the funds in question were made over to the Directorate of National Cadet Corps (Ministry of Defence) for organising A.C.C. Camps in various parts of the country. The delay in the submission of accounts was occasioned by the fact that the accounts of the Directorate had to pass through a number of channels before finalisation. In reply to a question, he admitted that there had been lack of adequate vigilance on the part of the Ministry of Education as well in the initial stages. But, he added, as a result of the efforts made by the Ministry of late, the position had considerably improved. Quoting the figures, he stated that out of the outstanding accounts of Rs. 40.85 lakhs which pertained to the Ministry of Education—the balance of Rs. 4.71 lakhs pertaining to the Ministry of Scientific Research and Cultural Affairs—accounts for about Rs. 34 lakhs had since been finalised.

408. When asked as to why the procedure of making payments through letters of credit was adopted in the case of the N.C.C. Directorate, he stated that it was at the strong insistence of the Directorate who did not agree to any other procedure. He, however, added that the question of the discontinuance of this procedure was under consideration of the Ministry of Finance who were in touch with the Controller of Defence Accounts in this connection.

409. Referring to the A.G.C.R.'s letter dated the 14th February, 1959 where in it had been suggested that the number of drawing officers should be reduced and the accounting work concentrated in a smaller number of gazetted officials for making payments through endorsed contingency bills rather than by cheques, the Committee desired to know whether these suggestions were being implemented. The representative of the Ministry stated that there was only one drawing officer at present in the Ministry.

Drawal of Advances—Para 20(b), pages 20-21.

410. The audit sub-para disclosed that during the years 1955-56 to 1957-58, advances aggregating Rs. 8.73 lakhs were drawn on simple receipt forms by the Ministry of Education for meeting expenditure on various counts, but detailed accounts with vouchers for Rs. 4.12

lakhs only had been rendered to audit to the end of August, 1958. Of the accounting arrears, those for Rs. 2·92 lakhs pertained to the Ministry of Education and those for Rs. 1·69 lakhs to the Ministry of Scientific Research and Cultural Affairs.

411. In his evidence, the representative of the Ministry stated that the advances in question were drawn for organising (i) coaching camps and other sports activities, and (ii) training camps for headmasters of secondary schools. The funds had been drawn on simple receipt forms for the sake of convenience. He, however, added that this practice was being discouraged and only in those cases where some expenditure had to be unavoidably incurred at the spot, small sums of money were allowed to be drawn in this manner. In reply to a question, he stated that more than 50% of the accounting arrears pertaining to the Ministry of Education had since been cleared.

Budgeting and Control over Expenditure

Savings over Voted Grants—Appropriation Accounts (Civil), 1956-57—Vol. V and Appropriation Accounts (Civil), 1957-58, Vol. V.

412. There were large savings in the Grants of the Ministry during both the years 1956-57 and 1957-58. They were particularly large in the former year in the case of Grants under the heads 'Others Scientific Departments', 'Miscellaneous Departments and expenditure under the Ministry of Education' and 'Capital Outlay of the Ministry of Education', being as high as 44 per cent. 45 per cent and 78 per cent. of the respective final Grants.

413. The Committee desired to know the reasons for these savings. The representative of the Ministry ascribed them to the inability of State Governments to utilise the grants sanctioned by the Centre, which were generally matching grants. When asked whether it was due to the fact that the Centrally-sponsored schemes were generally brought forward in the closing part of the financial year with the result that the State Governments, when approached, failed to find the requisite matching funds, the representative of the Ministry stated that it was very much so in the First Five Year Plan and the first year of the Second Five Year Plan. To obviate this, however, he added, the number of new Centrally-sponsored schemes had been considerably reduced and it had also been decided with the concurrence of Planning Commission that in case of such schemes, the contribution of the Centre should be 100 per cent. This, coupled with some other measures taken by the Ministry in this regard, had resulted in remarkable improvement in budgeting.

414. The Committee then enquired about the reasons for a saving of Rs. 1,36,272 out of the final provision of Rs. 3,69,000 under Grant No. 20—sub-head E-6—Government Scholarships for Advance Studies Abroad during 1956-57. The representative of the Ministry promised to furnish a note.

Appropriation Accounts (Civil), 1956-57—Vol. V, page 1, Note 3—Overpayment made to two officers.

415. In this case, a sum of Rs. 28,663 was overdrawn by two officers for the period 26th January, 1950 to 31st October, 1955 as their pay on re-employment under Government was not reduced by the amount of pension drawn by them from the Jammu & Kashmir State Government on the commencement of the Constitution. The recovery of the amount was waived by Government in April, 1956 to avoid hardship to the officers.

416. Explaining the circumstances in which the overpayment was made, the representative of the Ministry stated that one of the officers was employed in 1948, and the other in 1952. Their pay at the time of their appointment was fixed without reference to the pensions drawn by them from the State Revenues, as the Jammu and Kashmir State was a Part B State to which the Rules applicable to Part A States did not apply. Later on, however, a decision was taken in Oct., 1955 that this rule would apply to Part 'B' States also with retrospective effect. As this would have resulted in great hardship to the two officers employed long back, it was decided in consultation with the Ministry of Finance and the C. & A.G. to write off the overpayments.

417. When asked whether there were still any officers in the Ministry of Education whose salaries were not reduced by the amount of the pension drawn by them, the representative of the Ministry admitted that there were a few more such cases.

Overpayment of fees under the Central State Scholarships scheme.—Appropriation Accounts, 1957-58—Vol. V, page 32—Note 10.

418. According to Audit, overpayments to the extent of Rs. 13,816 were made to Indian students studying abroad up to November, 1958 due to the erroneous application of the rules in regard to grant of scholarships.

419. Giving a background of the case, the representative of the Ministry stated that the term 'fees' was originally meant by the Ministry as 'tuition fees' only and later extended to cover 'examination fees' also. The Indian Embassy at Washington, however, found that some Universities in the U.S.A. were levying, besides tuition and

examination fees, some other charges such as medical, insurance, library charges, etc., which, though not technically called 'fees', were in the nature of compulsory charges on the students. On a reference being made by that Embassy to the Ministry whether the term 'fees' was to include these compulsory charges also, the Ministry of Education agreed to the wider interpretation of the term which was quite in accord with the intentions of the Rules.

MINISTRY OF SCIENTIFIC RESEARCH & CULTURAL AFFAIRS

**Avoidable loss due to belated release of requisitioned land—Audit Report, 159—Para 34, page 31.*

420. On 10th May, 1944 Government requisitioned a plot of land for constructing temporary quarters for the duration of War and six months thereafter (i.e. upto 30th September, 1946) on an annual rental of Rs. 5,021 for the first year and Rs. 4,745 thereafter. In 1945-46, 9 blocks of quarters were constructed on the land for certain Military personnel at a cost of Rs. 86,970.

The lease was continued upto September, 1953 when it was decided to release the land and it was handed over to the C.P.W.D. on the 31st October, 1953 for relinquishment. The vacant quarters together with certain other materials were sold in March, 1955 for Rs. 7,350 but the land was actually released to the owner only in January, 1956. This resulted in an avoidable expenditure of Rs. 10,280 on land rent and Rs. 3,668 on the pay of *chowkidars* for the period November, 1953 to December, 1955.

421. Explaining the circumstances which resulted in delay in the release of the requisitioned land, the D.G.S. & D. stated that auction of structures and other materials on the land scheduled to be held in October, 1954 had to be postponed to November, 1954 due to delay in the receipt of survey report. Then there was default on the part of the purchaser in not having deposited the earnest money in full which resulted in the cancellation of the sale. The second auction was held in March, 1955. In this case though the earnest money was paid within the prescribed time-limit, the site was not cleared within the prescribed period. The earnest money in the former case was forfeited and similar action in the latter case also was under examination in consultation with the Ministry of Law. In reply to a question, he admitted that the Directorate General of Supplies and Disposals was not well-equipped to dispose of buildings, etc.

*The para was also discussed at the sitting of the Committee held on 8-12-1959.

Budgeting and Control Over Expenditure—Appropriation Accounts—
(Civil), 1956-57—Vol. XV and Appropriation Accounts (Civil),
1957-58—Vol. V.

422. There were large savings in the Grants of the Ministry during the years 1956-57 and 1957-58. The savings were particularly large in the case of Grants under the heads 'Botanical Survey' and 'Zoological Survey', being 36 per cent and 61 per cent of the respective final grants during the year 1956-57 and 35 per cent and 49 per cent of the final grants during 1957-58.

423. The representative of the Ministry attributed the savings to delay in taking up projects under the Second Five Year Plan. When asked whether the details of these projects had been fully worked out before they were included in the budget, the representative of the Ministry stated that only the outline plan had been approved by the Planning Commission.

Excess over Voted Grant

Grant No. 15—Survey of India—Page 11 of Audit Report, 1959—Part I and pages 6-8 of Appropriation Accounts, 1957-58—Vol. V.

424. There was an excess of Rs. 2,96,550 under 'Grant No. 15-Survey of India' during the year 1957-58.

425. The Committee desired to know as to why it had not been possible for the Ministry to furnish the requisite information called for by them on the 27th August, 1959, followed by a reminder dated the 28th October, 1959. The Committee were informed that a note was sent to audit for vetting sometime back who referred it back to the Ministry with certain queries. It had now again been sent to Audit.

MINISTRY OF HEALTH

Audit Report, 1958

All India Institute of Medical Sciences—Delay in framing the Rules and Regulations—Para 30 (A) & (B), pages 28-29.

426. The All India Institute of Medical Sciences Act came into force on 15th November, 1956 from which date the Institute was declared to be a corporate body. Prior to that, the Institute functioned as a Department of Government. The Rules and Regulations of the Institute were, however, enforced long thereafter, the former with effect from 1st April, 1958 and the latter, from 15th October, 1958. Between the period 15.11.56 and 31.3.58, the Institute, *inter alia*, created 107

temporary posts and made appointments thereto. According to the views of the Ministry of Law, the Institute was not entitled to do so without first framing the Regulations.

427 The explanation of the representative of the Ministry for delay in the promulgation of the Rules was that the Institute took a long time in framing the draft Rules whereafter they were submitted to the Ministry of Health for approval. The Ministry took some time in examining the draft Rules and then referred them to the Ministry of Law. After that, there was some correspondence which also contributed to delay.

428. The Committee enquired when the draft Rules were first submitted by the Institute to the Ministry for approval, and how much time was consumed in each subsequent stage including the time taken by the Ministry of Health in vetting the draft Rules. They also desired to know as to who was charged with the responsibility of framing the Rules—the Ministry or the Institute and also whether, as contended by the Institute, the framing of the Rules was a prerequisite to the framing of the Regulations. The representative of the Ministry promised to furnish a detailed note* on the subject.

Payment of non-practising allowance to other than Medical Personnel—Para 30(C), page 29.

429. Three of the teaching posts in the Institute were filled by non-medical personnel and they were allowed compensatory allowance in lieu of private practice which had been sanctioned for the posts without any restriction that they should be drawn only by incumbents having medical qualifications. Subsequently Government issued orders discontinuing with effect from 1st August, 1957, the payment of compensatory allowance in lieu of private practice to non-medical personnel in the Institute including those already appointed. Again Government issued revised orders on the 13th March, 1958 permitting the continued drawal of the allowance by the non-medical personnel already appointed. The expenditure on this account amounted to Rs. 10,800 per annum.

430. Justifying the grant of non-practising allowance to the three non-medical personnel referred to in the Audit sub-para, the representative of the Ministry stated that it was in accordance with their terms of appointment. When asked whether the original decision of the Ministry under which all employees holding teaching posts in the Institute were entitled for the allowance was taken with the concurrence of the Ministry of Finance, the reply was in the affirmative. In reply to another question it was admitted that basis of the original decision was indefensible.

*Since received. Not printed.

Absence of coordination in Building Project of the Institute—Para 30 (D), pages 29-30.

431. The main building was scheduled for commencement in 1954-55 and for completion by 1958-59. This programme could not, however, be adhered to. The construction of the residential quarters for the staff, students and nurses, however, proceeded more or less according to schedule. By June, 1958 out of 856 residential quarters available for occupation, 586 were surplus to requirements, 468 quarters had been allotted to non-Institute employees and 118 remained vacant.

432. The Committee enquired why the construction of residential quarters was not so phased as not to overstep the requirements therefor. The explanation of the representative of the Ministry was that they aimed to provide residential accommodation to every Member of the staff in the vicinity of the Institute, as and when he was appointed. In reply to a question he stated that all except three or four quarters had since been allotted.

Property not handed over to the Institute and outstanding Rent and Water Charges—Para 30 (E), Page 30.

433. Buildings constructed by Government for the Institute at a cost of about Rs. 127 lakhs were not formally transferred to it, even though it became a body corporate on 15th November, 1956. All the buildings, however, were being utilised by the Institute and treated as their property except 142 buildings.

In respect of these buildings, a total amount of Rs. 39,121 was outstanding on account of rent and water charges for the years 1956-57 and 1957-58 as per the books of the Institute.

434. Indicating the latest position, the representative of the Ministry stated that all the buildings referred to in the Audit sub-para except three or four quarters had since been transferred to the Institute. As regards the outstanding rent and water charges, he stated that most of these had since been realised.

Audit Report (Civil) 1959.

Infructuous expenditure on hire of trucks—Para 28, Pages 26-27.

435. A Department of the erstwhile Delhi State Government purchased two truck chassis at Rs. 14,250 each in March, 1954 through the Central Purchase Organisation to be used for the removal of refuse etc. from the colonies of Displaced Persons in Delhi. The construction of the truck bodies (estimated to cost Rs. 2,836 each) was entrusted to the above Organisation in August, 1954 but the work was completed only in February, 1956. The delay was

stated to be due to non-fulfilment of certain formalities which had to be observed by the Central Purchase Organisation.

Meanwhile the Department incurred an expenditure of Rs. 12,045 on hire charges of two scavenging trucks at the rate of Rs. 900 p.m. each (excluding petrol) for the periods 1st February, 1955 to 31st May, 1955 and 26th April, 1955 to 18th February, 1956.

Further, although the Department was aware as early as in June, 1955 that it would require only one truck, no action was taken to countermand the order for the second truck body with the result that one completed truck remained idle till June, 1958, when it was made over to the Delhi Municipal Corporation for Rs. 12,377. The loss on this sale to the Department was Rs. 6,759-00.

436. In extenuation, the Secretary, Ministry of Health stated that this case occurred when Delhi was a Part 'C' State having a duly-constituted Government of its own responsible to the Legislature. Though it was true that the erstwhile Delhi Government were required to obtain the sanction of the Central Government in respect of certain financial matters, the latter did not, usually, exercise its power of scrutiny in such a way as to interfere with the day-to-day administration of the then Delhi Government.

Avoidable payment of interest charges—para 29, pages 27-28.

437. The erstwhile Delhi State Government acquired in January, 1950 for the extension of a hospital, a piece of land standing in the Revenue records in the name of an evacuee. No compensation was awarded by the Land Acquisition Officer on the understanding that the land, being evacuee property, no compensation was assessable in accordance with the Inter-Dominion Agreement of July, 1949. Subsequently it was decided by Government that the Land Acquisition Act should apply to evacuee properties also. On 14th April, 1953 an Indian National filed an application claiming the ownership of the land by virtue of a registered sale deed dated 12th June, 1946. Thereupon, in April, 1954, the Land Acquisition Officer gave a supplementary award for Rs. 2,12,728 comprising Rs. 1,68,832 on account of compensation and Rs. 43,896 on account of interest. The amount could not, however, be paid for want of provision of funds till September, 1957 when Government issued a revised sanction for Rs. 2,46,494 which included a sum of Rs. 77,662 as interest for the period from January, 1950 to September, 1957.

438. The representative of the Ministry admitted that this case had been badly handled and the Government put to unnecessary loss. As to the action taken against the officials concerned, he stated that severe warning had been administered to two clerks. In

regard to the land Acquisition Officer, he stated that according to the views of the Delhi Administration, he was not to blame.

Budgeting and Control over expenditure

Appropriation Accounts (Civil), 1956-57—Vol. VIII and Appropriation Accounts (Civil), 1957-58—Vol. VIII.

439. Explaining the reasons for large savings in the Grants of the Ministry under the heads 'Medical Services', 'Public Health' and 'Capital Outlay of the Ministry of Health' during 1956-57, the representative of the Ministry stated that there was in the first instance considerable delay at the Centre in settling the pattern of assistance to State Governments for executing the Centrally-sponsored schemes. And, in some cases, where the pattern of assistance was communicated to the State Governments, they took a long time in submitting their schemes.

Waiver of recovery—Appropriation Accounts (Civil), 1956-57—Vol. VIII, page 24, Grant No. 49—Note 6.

440. In this case, rent free accommodation was allotted to certain employees of an Institute, during periods between 1942 and 1952 by the then Director, who had apparently no authority to do so. The Government waived the recovery of Rs. 3085 representing outstanding rent from these employees after the free concessions were withdrawn by Government.

441. Justifying the waiver of the recovery, the representative of the Ministry stated that the Government did not want to cause undue hardship to the employees whose occupation of the houses on a rent-free basis was *bona fide*. Dealing with the delay in taking the final decision, he stated that it was due to the correspondence that transpired between the Ministry of Health, Ministry of Finance and the Director of the Institute. When asked as to why the then Director of the Institute had exceeded his authority in this case, the representative of the Ministry felt it to be an error of judgment on his part.

Audit Comments on the Financial Results of the Central Research Institute, Kasauli for the year 1957-58—Appropriation Accounts, 1957-58—page 34 and paras 106 and 107 of the 18th Report of the P.A.C. (Second Lok Sabha).

442. Referring to the recommendations of the Committee (1958-59) contained in para 107 of their 18th Report (Second Lok Sabha), the Committee inquired what progress had been made in the introduction of commercial accounting in the Institute. They were informed that the matter had been finalised in consultation with the Ministry of Finance.

443. The Committee then referred to the outstanding amounting to Rs. 2,72,007 as on 31-3-1958 (including those relating to the years 1953-54 to 1956-57) and desired to know the present position in regard to their clearance. It was stated that about 90% of the outstandings had since been cleared.

Cinchona Cultivation Scheme—Appropriation Accounts, 1957-58 page 45—Note 10.

444. The Committee asked for the reasons for delay in the preparation of the final accounts of the Scheme. The representative of the Ministry stated that the Central Government did not directly deal with the cultivation of Cinchona; they did so through the agency of the State Governments concerned. Another factor which had contributed to delay was that adjustments in accounts had to be made by two A.Gs.

445. When asked about the future of cinchona cultivation, he stated that it was very depressing. There was about Rs. 90 lakhs worth of cinchona without any market, and, so the Government were thinking of distributing it free in the country. In reply to another question, he stated that the area under cinchona cultivation was being gradually diminished and efforts were being made to cultivate Indian medicinal plants instead. The only consideration why it was not being immediately stopped by the States (Madras & Bengal) was that it would result in the sudden displacement of large labour population.

Financial Review of the Medical Store Depots and Factories—Appropriation Accounts, 1957-58 page 55—Item VII (Vol. VIII).

446. The Committee enquired about the present position regarding the recovery of large outstandings against Government and non-Government institutions which on the 30th September, 1958 stood at about Rs. 28 lakhs. They were informed that outstandings amounting to only Rs. 7 lakhs remained to be realised, and these too, mostly from State Governments.

447. The Committee then referred to the question of the closure of Medical Store Depots and enquired as to what decision had been taken in this connection. The representative of the Ministry stated that the matter was under consideration of the Mudaliar Committee.

MINISTRY OF IRRIGATION AND POWER

Infructuous expenditure due to change in design—Audit Report (Civil), 1959—Part I—para 31, pages 29-30.

448. While commenting upon the abandonment in 1951 of the Navigation-cum-power Channel and the Subsidiary Dam of the

Hirakud Dam Project, the Public Accounts Committee in para 43 of their 6th Report (First Lok Sabha) expressed the view that the original scheme of the **Subsidiary Dam** was technically and economically unsound. In a statement placed on the table of the Lok Sabha, in December, 1953, it was, however, contended that the scheme was technically sound and the expenditure incurred on the **Subsidiary Dam** could not be said to be nugatory as the work had only been postponed and not abandoned altogether.

When work on the scheme was resumed in 1956, a revised design was prepared which omitted the construction of the **Subsidiary Dam** altogether. Due to this change in design, out of expenditure of Rs. 37 lakhs already incurred on the **Subsidiary Dam**, at least an amount of Rs. 21.55 lakhs approximately (including an amount of Rs. 6.75 lakhs paid as compensation for trees, houses and tanks) spent on the embankment of the **Subsidiary Dam** had become wholly infructuous.

449. Explaining the circumstances of the abandonment of the **Subsidiary Dam**, the representative of the Ministry stated that according to the original design, the construction of the **Subsidiary Dam** was considered necessary as it was intended to complete the Power House at Chiplima before the main Dam at **Hirakud** was constructed. After, however, the main Dam at **Hirakud** had been completed, the necessity for the construction of the subsidiary Dam at Chiplima disappeared. The then Chief Engineer, **Hirakud Dam Project** submitted a revised design, omitting the **Subsidiary Dam**, which was to cost Rs. 167 lakhs less than the original design. After considering the pros and cons of both the designs, Government came to the conclusion that the new design was more economical than the original one even after making an allowance for the infructuous expenditure of Rs. 22 lakhs.

450 It was pointed by the C. & A.G. that despite the dropping of the **Subsidiary Dam**, the original estimates of Rs. 1152 lakhs had gone up to Rs. 1432 lakhs according to the latest estimates of the revised design. The representative of the Ministry attributed it to the rise in labour wages cost of materials etc.

451. In reply to a question as to whether the Central Government or the Orissa Government would bear the liability of the infructuous expenditure the C. & A.G. pointed out that in the executing of the **Hirakud Dam Project** the Central Government had merely acted as the agent of the Orissa Government and, so the whole liability was to be borne by the latter Government. The representative of the Ministry expressed agreement with this view.

452. In regard to the future management of the Project, the representative of the Ministry stated that the Orissa, Government had agreed to take it over with effect from the 1st April, 1960.

Budgeting and Control over expenditure

Savings over Voted Grants—Appropriation Accounts (Civil), 1957-58-Vol. XI, pp. 3 and 8.

453. During the year 1957-58, out of the final provision of Rs. 1,60,33,000 under the head 'Multi-purpose River Schemes', there was a saving of Rs. 62,41,129. Similarly, in the case of another grant of the Ministry, *viz.* 'Miscellaneous Departments and other expenditure under the Ministry of Irrigation and Power', there was a saving of Rs. 20,96,289 out of the final provision of Rs. 98,08,000.

454. According to the representative of the Ministry, the saving in the former case was due to transfer of two investigation projects to the administrative control of the Bombay Government, non-receipt of debits from other departments and non-adjustments in respect of material, equipment etc. received under the T.C.A. programme. The saving in the latter case was due to reduction of grant-in-aid to the Bharat Sewak Samaj and of the provision for fundamental and basic research.

455. *The Committee then adjourned till 14.30 hours on Monday, the 7th December, 1959.*

**PROCEEDINGS OF THE THIRTY-EIGHTH SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE
7TH DECEMBER, 1959.**

456. The Committee sat from 14.30 hours to 17.00 hours.

PRESENT

Shri Upendranath Barman—*Chairman*.

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Shri Shamrao Vishnu Parulekar
4. Pandit Jwala Prasad Jyotishi
5. Shri Radha Raman
6. Shri Rameshwar Sahu
7. Shri T. R. Neswi
8. Shri Raghubar Dayal Misra
9. Shri T. Sanganna
10. Shri Shraddhakar Supakar
11. Shri Rohit Manushankar Dave
12. Shri T. R. Deogirikar
13. Shri Surendra Mohan Ghose
14. Shri Jaswant Singh
15. Shri S. Venkataraman.

Shri A. K. Chanda—*Comptroller and Auditor General of India*.

Shri A. Kalyanaraman,—*Dy. Comptroller and Auditor General*.

Shri S. Venkataramanan—*Accountant General, Central Revenues*.

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary*.

Shri Y. P. Passi—*Under Secretary*.

WITNESSES

Ministry of Works, Housing and Supply

Shri M. R. Sachdev—*Secretary*.

Shri A. S. Naik—*Joint Secretary.*

Shri S. Vohra—*Financial Adviser.*

Shri V. N. Rajan—*D.G.S. & D.*

Shri N. G. Dewan—*Chief Engineer, C.P.W.D.*

Ministry of Finance

Shri A. G. Krishnan—*Under Secretary.*

MINISTRY OF WORKS, HOUSING AND SUPPLY

Unauthorised alteration in specification—Para 42 of Audit Report, 1958.

457. An agreement for road work entered into with a contractor in April, 1953 included an item of light chipping carpet using 6 lbs. of bitumen per cft of grit. The first payment for this item of work was made in the 4th running account bill (in June 1953) in accordance with the approved specification, but in the subsequent bills the bitumen used was shown as 5 lbs. per cubic ft. of grit without any corresponding reduction in the rate. A departmental investigation established that unauthorised alterations were made in the documents sometime between the 4th and 5th running bills which resulted in an overpayment of Rs. 16,000 to the contractor.

458. In evidence, the Secretary to the Ministry of Works, Housing and Supply stated that a detailed enquiry was conducted into this case by a senior officer of the Ministry, which disclosed that six officers had made deliberate attempts to alter Government records. Suitable disciplinary action was being taken against the delinquent officers in consultation with the U.P.S.C.

Delay in adjustment of a contractor's account—Para 43 of Audit Report, 1958.

459. A contractor entered into an agreement for construction of quarters at the tendered cost of Rs. 12,65,700, the work to be completed by the 31st August, 1945. He commenced the work in January, 1945 but abandoned it unfinished in August, 1945 after having drawn, on running bills, a total payment of Rs. 10,10,705. He had also been issued large quantities of material for which recoveries were to be made. The Department got the remaining work completed through sub-contractors, to whom the work had been sublet by the main contractor after paying a sum of Rs. 1,26,548 (*ex-gratia* and on behalf of the defaulter). After making necessary adjustments on account of damages, cost of stores supplied and payments to sub-contractors the Department prepared a final bill according to which an amount of

Rs. 4,08,278 was recoverable from the contractors. This was not accepted by the contractor. On the other hand he claimed higher rates for certain items of work done by him and the matter was referred at his instance to arbitration, despite the advice tendered by the Ministry of Law that Government should not agree to arbitration as the claims of the contractor were time-barred.

460. The Committee desired to know how payments on running bills were made to the contractor without recovering the cost of stores issued to him. In extenuation the representative of the Ministry of Works, Housing and Supply explained that the transfer entries in respect of the material issued to the contractor were not put up promptly by the issuing authorities to the Divisional Officers for adjustment in the contractors ledger accounts. Thus the exact amounts to be recovered from the contractor on account of material issued to him were not known to the officer making payments to him. It was further stated that the transactions related to the War period when the rules were not strictly followed. The officers in charge of the work had since gone over to Pakistan.

461. With regard to the reference of the case to arbitration despite the advice of Ministry of Law, the witness stated that under the terms of the contract the contractor was entitled to approach the Superintending Engineer of the Circle for arbitration on matters of dispute and Government could not forbid him from doing so. The arbitrator had since referred the case to a Court of Law to decide whether as alleged by Government, the claims of the contractor were time-barred.

462. Explaining the payments made by the Department to the sub-contractors the representative of the Ministry of W.H. & S. stated after the work was abandoned by the main contractor it was got completed by the sub-contractors, for which payments had to be made to them. However, these payments were made with the consent of the main contractor with a view to their being adjusted in the latter's final bill.

Chief Technical Examiner's Organisation—para 44 of Audit Report, 1958 and para 51 of Audit Report, 1959.

463. Following suggestions made by the Public Accounts Committee Government decided in May 1957 to introduce a system of concurrent administrative and technical review of P.W. transactions by an expert Chief Technical Examiner. The paragraphs in the Audit Reports cited above enumerated the various irregularities etc. pointed out by the C.T.E. in the reports submitted by him during the period July, 1957 to 31st December, 1958.

464. In evidence, the C.T.E. described the procedure regarding selection of cases (bills, contracts, works etc.) and their examination by his organisation. He did not review all the P.W. transactions but only made a test check (about 10 per cent.) of all the cases. In about 75 per cent of the cases so reviewed by him he was able to discover either major or minor defects, which were communicated to the departments concerned for rectification. As far as possible, these defects were remedied by the departments before the completion of works; but in cases where due to the advanced stage of construction etc. the defects could not be remedied, an assessment of the overpayment was made by him and passed on to the departments to effect recoveries. During the two years the C.T.E. had assessed overpayments to the extent of Rs. 19 lakhs out of which items amounting to Rs. 8 lakhs had since been accepted by the Departments and recoveries were being effected from the contractors. The remaining cases were still under correspondence. The C.T.E. stated that initially he sent his objections to the Executive Engineers concerned and in cases of disagreement at that level he approached the higher authorities viz. the Superintending Engineer, Chief Engineer, etc. The Secretary to the Ministry of W.H. & S. stated that in case of difference of opinion between the C.T.E. and the Departmental officers, the views of the former generally prevailed. The C. & A.G. pointed out that the practice followed by the C.T.E. to make references to officers at various levels was not correct. In his opinion, once the C.T.E. had communicated his objections it should be the duty of the Departments concerned to obtain the views of the highest authority at their end in cases of disagreement before communicating the same to the C.T.E.

465. One of the irregularities pointed out by the C.T.E. in his reports (referred to in para 44 of Audit Report 1958) was the acceptance of unworkable tenders. In one case estimated to cost about Rs. 1,11,040 Government awarded the contract at the tendered amount of Rs. 73,554 while the approximate cost of the material issued and recoverable from the contractor plus roller hire charges amounted to Rs. 76,560. The Committee desired to know whether the work was completed by the same contractor and the final cost involved thereon. The representative of the Ministry promised to furnish a written statement to the Committee.

Unproductive expenditure—para 45 of Audit Report, 1958.

466. In May, 1943 Government took over for war purposes portions of a Jute Mill compound along with some adjoining plots of land, at an annual rent of Rs. 1,500 and constructed thereon certain temporary structures. The land became surplus to requirements in 1951 but was released only in January, 1957. This delay

involved an expenditure on land rent of Rs. 9,136 upto 31st March, 1957. Government also paid a compensation of Rs. 24,113 to the owner for not restoring the land to its original condition.

467. The D.G.S. & D. admitted that there was some delay in the demarcation of the lands which was completed in December, 1952 as the Land Acquisition Collector had to obtain old records. Thereafter, efforts were made to sell the structures built on the land to the Municipality; but they were not successful because of certain disputes having arisen in the transaction. Subsequently, time was taken in negotiations with the landowners regarding the quantum of compensation payable to them for restoring the land to its original condition as well as in evicting the refugees from a part of the land which they had occupied unauthorisedly. The D.G.S. & D. stated that while the Jute Mills demanded Rs. 90,000 by way of compensation they were successfully persuaded to accept a lesser amount (Rs. 24,113).

Infructuous expenditure—para 46 of Audit Report 1958.

468. In April, 1948 on the closure of a labour camp materials worth Rs. 19,828 were found unserviceable. A survey report was prepared in 1949 but was subsequently misplaced. A fresh survey report was prepared in February 1952. It was sanctioned in September, 1954 by the competent authority after two years and half. The materials were auctioned in January 1955 for Rs. 260 only. Meanwhile, the department also incurred expenditure on watch and ward amounting to Rs. 12,331.

469. In evidence, the Secretary to the Ministry of W.H. & S. admitted that the case was not handled properly at different stages resulting in delay in the disposal of the surplus stores. The survey report, which was prepared in 1949 was submitted to the Superintending Engineer who returned it with certain comments. Thereafter the report was not traceable. No enquiry was, however, instituted about the loss of the survey report.

Avoidable expenditure on the disposal of furniture—para 47 of Audit Report, 1958.

470. Furniture of the book value of Rs. 1,98,446 manufactured in 1942-43 and used in offices and Government quarters during the war was issued again to certain government residential buildings. When Government decided to demolish these buildings the surplus furniture valued at Rs. 1,59,378 was withdrawn between August, 1955 and December, 1956. The articles were stored in an open C.P.W.D. yard in April, 1957 and later transferred to a shed in July, 1957

entailing an expenditure of Rs. 4,655 on the shifting. A further expenditure of Rs. 1,432 was incurred upto August 1957 when the major part of the furniture was auctioned for a sum of Rs. 8,728. The remaining unserviceable furniture (of the book value of Rs. 39,086) was handed over to a Government Housing factory in March 1958.

471. In extenuation, the Secretary to the Ministry stated that the cost of furniture (Rs. 1,59,378) quoted in the Audit Report represented its original book value. It was purchased in 1942-43 and its depreciated value would come to a much lesser amount. In fact the articles which were auctioned were absolutely unserviceable. The Committee suggested that Government might examine the question of fixing suitable life for the articles of furniture and introduce the system of writing down their book value from year to year.

Loss of revenue due to defective planning of works—para 40 of Audit Report, 1959.

472. Certain residential units built by the C.P.W.D. at a station remained vacant for long periods owing to delay in the provision of ancillary services like sanitary installations, water supply and electricity supply arrangements. In some cases the buildings were not handed over to the agency responsible for their allotment even after the essential services had been provided. The Audit Report quoted three instances of such delays. In one case the buildings were complete in all respects (including sanitary installations) by 11-5-1955; but were actually handed over to the authorities for occupation in December, 1956.

473. The Chief Engineer, C.P.W.D. explained that there were certain items like provision of external services, (laying of sewerage, water supply lines, supply of electric connections, etc) which were not taken into account in the statement incorporated in the Audit Report. The work on these services was generally taken up only after the completion of the buildings. Thus the buildings in question were completely ready for occupation only on 24th July, 1956. The Secretary to the Ministry further explained that in the provision of electric connections laying of sewerage, water supply, etc. the C.P.W.D. had to depend on the municipal authorities, who had their own difficulties, like availability of cables, time taken in laying of lines, etc. On the Committee's pointing out that works for installation of external services were taken up only on completion of the buildings, the Secretary stated that instructions had since been issued for taking up both types of works simultaneously.

Irregular sale of Government material—para 41 of Audit Report 1959.

474. In May 1951, a C.P.W. Division acquired 86·9 tons of mild steel sheets from Disposals at Rs. 90/6/6 per ton (i.e., 20% of the authorised price) on the condition that the material would not be resold within two years. Nevertheless, 79.878 tons of sheets, which were initially hired out to three contractors, were sold in 1952 to them at Rs. 120 per ton. The controlled price for new sheets at the time was Rs. 463.79 np. The loss on the sales to contractors was thus in the neighbourhood of Rs. 30,000.

475. The representative of the Ministry stated that the steel sheets were given on hire and later sold to the contractors by the Executive Engineer of the C.P.W.D. on the site under the orders of the Board of Governors of the Indian Institute of Technology, which was an autonomous body. He, however, admitted that as the material belonged to the C.P.W.D., the officer should have exercised his discretion in the matter instead of merely acting on the advice of the Institute. Efforts were now being made to recover a further amount from the contractors concerned towards the cost of the steel sheets.

Avoidable extra expenditure in the purchase of Copper Weld Wire—para 42 of Audit Report, 1959.

476. A Central Purchase Organisation invited tenders for the supply of 65 tons of copper weld wires to the P & T Department. The lowest acceptable offer was from firm 'A' at Rs. 6,485 per ton for the imported stores. Another firm 'B' which was to import the copper weld bars to be fabricated locally into wire offered it at Rs. 7,599 per ton. A contract for 29 tons of wire was placed on firm 'B' in preference to the lower offer of firm 'A' involving extra expenditure of Rs. 32,306 and the contract for the balance quantity was placed on firm 'A'. After completion of the supplies firm 'A' claimed an extra amount on account of variation in the price of copper and an extra amount of Rs. 18,818 was paid. The firm 'B' also claimed an increase but subsequently withdrew the claim. The price allowed to firm 'B' was thus more than that paid to firm 'A' by about Rs. 13,488 (on 29 tons).

477. In evidence, the D.G.S. & D. gave the following reasons for placing the order for supply of copper weld wire on firm 'B' in preference to the lower offer:—

- (i) The value of imported material in the case of firm 'A' was much more (71 per cent) as compared to firm 'B' (only

46 per cent). (At the time of placing the order, however, the Department was under the impression that the difference in the indigenous element between the two firms was only 5 to 10 per cent).

- (ii) Firm 'B' had already imported copper weld bars and they were able to deliver the wire much earlier than firm 'A'.
- (iii) At the time of placing the orders on the firms the Department was given to understand that the import of raw material was not subject to customs duty.

Loss due to non-observance of rules—para 43 of Audit Report, 1959.

478. A Central Purchase Organisation placed an order on a firm for the supply of stores, which involved an extra payment of Rs. 32,850 (as compared with the lowest acceptable offer) to ensure earlier delivery. The contract included a special penalty clause stating that in case of failure to supply the stores by 31st March, 1955, the contractor would be liable to refund to Government the difference between the contract rate and that of the lowest acceptable offer. The firm while acknowledging the receipt of the contract order expressed disagreement with this provision. The firm failed to supply these stores by the stipulated date but no penalty could be imposed in view of the fact that the purchase organisation had failed to get a prior assurance from the firm regarding earlier delivery by a definite date, while agreeing to the higher price.

479. In evidence, the D.G.S. & D. stated that the inclusion of the price preference clause in the contract was not justified. The lowest offer had been received from a firm with which Government had suspended their dealings. The penalty clause was, therefore, neither legally enforceable nor realistic in this case. As a result of their experience in this case the D.G.S. & D. had issued instructions to all purchase officers to exercise their discretion with greater care in incorporating price preference clauses in contracts.

480. *The Committee then adjourned to meet again at 9.30 hours on Tuesday, the 8th December, 1959.*

PROCEEDINGS OF THE FORTIETH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 8TH DECEMBER,
1959.

481. The Committee sat from 14.30 to 17.05 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri Maneklal Maganlal Gandhi
3. Pandit Jwala Prasad Jyotishi
4. Shri Shamrao Vishnu Parulekar
5. Shri Radha Raman
6. Shri T. R. Neswi
7. Shri Raghubar Dayal Misra
8. Shri T. Sanganna
9. Shri Yadav Narayan Jadhav
10. Shri Shraddhakar Supakar
11. Shri Amolakh Chand
12. Shri Rohit Manushankar Dave
13. Shri T. R. Deogirikar
14. Shri Surendra Mohan Ghose
15. Shri Jaswant Singh
16. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller & Auditor General of India.*

Shri A. Kalyanaraman, *Dy. Comptroller & Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, F.R.S.C.S. & M.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Works, Housing and Supply

Shri M. R. Sachdev—*Secretary.*

Shri S. Vohra—*Financial Adviser.*

Shri V. N. Rajan—*Director General of Supplies & Disposals.*

Shri N. G. Dewan—*Chief Engineer, C.P.W.D.*

Shri C. Balasubramaniam—*Director of Estates.*

Ministry of Defence

Shri S. V. Sampath—*Deputy Secretary.*

Ministry of Finance

Shri A. R. Shirali—*Additional Budget Officer.*

Loss due to belated release of requisitioned land—para 48 of Audit Report, 1958.

482. Certain plots of land requisitioned by Government in 1943 for defence purposes on a rent of Rs. 2171 per month were proposed for derequisition, in January, 1949. But, meanwhile, as the Ministry of W.H. & S was also considering a proposal to construct clerks' quarters in that locality the final decision to derequisition the land was taken in October, 1949. The derequisition order in the case of one landlord was issued only on 1st February 1950. The plots were eventually released and possession restored to the various owners on different dates between 3rd February, 1950 and 1st January, 1952. The main landlord was paid a sum of Rs. 1,72,489 by way of compensation for loss of rent and other damages. Government were also put to a loss of Rs. 29,400 on account of rent and Rs. 10,000 on account of restoration charges for the period February 1949 to December, 1951.

483. In evidence, the Secretary to the Ministry of W.H. & S. stated that there was a dispute with the land owners about the rent payable for a plot of land, which had been acquired separately under the orders of the Collector for the MES and later formed part of the area acquired under the Defence of India Rules. On settlement of this dispute, the amount of periodical compensation (rent) payable for the plots acquired for defence purposes was determined and included in the final compensation (Rs. 1.72 lakhs) paid to the landlord. The time lag between the decision to derequisition the land in February 1949 and its actual restoration to land owners in January 1952 was attributed to (i) enquiries made about the rightful owners of the plots of land and (ii) eviction of refugees from a part of the land.

which they had occupied unauthorisedly, which took some time. It was, however, admitted that there was some delay in handling this case.

484. On being pointed out that the owners of the plots of land from whom these were requisitioned should have been known to the Government from the very beginning the witness could give no satisfactory explanation.

485. From the records before them it appeared to the Committee that the land remained unutilised with the defence authorities since its acquisition in 1943 till 1949. The Secretary to the Ministry of W.H., & S., however, informed them that the area was occupied by the Army Transport Company and certain temporary structures had also been built thereon by the C.P.W.D. on behalf of the Transport Company. The structures were later demolished by the landlord and a sum of Rs. 5,000 was recovered from him by Government towards the cost of dismantled materials. The Committee asked the representative of the Ministry of Defence to furnish a note stating the purpose for which the land was requisitioned and how it was actually utilised.

Irregular payment of sales tax—para 44 of Audit Report, 1959.

486. Four contracts on two firms were placed during March-April 1948 for the supply of cables for the P. & T. Department. The tenders did not specifically indicate payment of sales tax to the tenders in addition to the price of stores. Provision for the tax was, however, made in two contracts *suo moto* by the purchase officer while in the other two it was made subsequently at the instance of the suppliers. The provision for the payment of sales tax in all the four contracts was, however, cancelled subsequently on 22nd October, 1949 and 3rd November, 1949 when it came to the notice of the officer that it was not in conformity with the provisions of the law or departmental instructions. The suppliers, however, did not agree to this and an amount of Rs. 47,971 had to be ultimately paid to them.

487. The D.G.S. & D. admitted that it was a mistake on the part of the purchase officer to have made provision for sales tax in all the cases. He, however, pointed out that subsequent rulings given by the Supreme Court in 1955 in certain other cases had clearly established that the seller possessed a right to recover sales tax from the purchaser even in cases where the tender did not make specific mention regarding payment of sales tax.

Avoidable payment to a contractor—para 45 of Audit Report, 1959.

488. A contractor could not construct a building within the stipulated date (May 1948) and a penalty of Rs. 11,700 was recovered

from him on this account. Subsequently in May, 1953 the contractor filed a suit in a High Court for payment of a further sum of Rs. 4·33 lakhs on account of (i) increase in the cost of construction due to rise in prices (ii) value of materials looted by rioters and stolen and (iii) extra items of work done by him. The High Court appointed an arbitrator who awarded a sum of Rs. 66,000 in favour of the contractor on 1st and 3rd claims rejecting the second. The Department received a notice from the High Court on 24th December, 1956 that the judgment on the award would be pronounced on 28th January, 1957. That Department consulted the Ministry of Law on 23rd January, 1957. The Ministry of Law advised on 24th January, 1957 that while the award of Rs. 6,000 in respect of the third item could not be questioned the payment of Rs. 60,000 against the first item was not consistent with the terms of the contract and an objection should be filed in respect thereof in the Law court. No objection petition could be filed as the date for making such an application (23rd January, 1957) had expired. As a result of this delay Government had to pay a sum of Rs. 60,000 together with interest of Rs. 198 to the contractor.

489. In evidence, the Secretary to the Ministry of W.H. & S., stated that in this case the delay occurred mainly due to the negligence on the part of the staff of the Executive Engineer's office which had been censured on this account. He also felt that the Superintending Engineer and the Executive Engineer concerned were also to be blamed for not taking prompt action in this case. The Ministry would take suitable action against them.

Loss due to failure to follow the prescribed procedure—para 46 of Audit Report, 1959.

490. An order was placed on a firm by the D.G.S. & D. for the supply of five types of sheathed cables. 18 days after the placing of contract the indenter intimated that the two of the five types were not required. The Purchase Organisation accordingly cancelled the orders for the two types without obtaining prior consent of the supplying firm, which protested against the cancellation and claimed Rs. 45,000, as compensation. The case went to arbitration and the arbitrator awarded a sum of Rs. 6,039 to the firm as compensation plus Rs. 350 as cost of legal proceedings. The Purchase Organisation also did not inform the indenter of the financial repercussions of the cancellation of the order. The latter stated in October, 1955 that had he been informed of the financial repercussions involved he would have made alternative arrangements to keep the contract alive.

491. In evidence, the D.G.S. & D. stated that although the Purchase Officer did not strictly follow the prescribed procedure,

he was aware of the fact that the firm had taken no steps towards the execution of the contract in respect of these items. The firm had not even opened a letter of credit for the import of the stores. The Ministry was, however, not happy with the arbitrator's award in this case. There were two persons nominated to arbitrate in this case and the Government's nominee himself gave an award against Government. However, in the absence of any proof of *mala fide* against the arbitrator (Government's nominee) no action could be taken against him. As a result of their experience in such cases, Government had revised the procedure for reference of cases to arbitration. The agreements now provide for a single arbitrator, who holds the status of a District and Sessions Judge and works under the Ministry of Law. In cases where private parties do not agree to such an arbitration, cases are referred to Courts of Law.

Loss due to failure to effect risk purchase within the prescribed period—para 47 of Audit Report. 1959.

492. The D.G.S. & D. placed a contract with a firm for the supply of teak logs by the 1st February, 1954 which date was extended to 15th March, 1954. As a result of the inability expressed by the firm on 17th March 1954, to execute the order, the contract was cancelled on the 6th September, 1954 at the risk and expense of the firm. Tenders were invited for repurchase in January, 1955 and a contract at an extra cost of Rs. 25,375 was placed on 24th March, 1955, that is more than a year after the firm had expressed its inability to supply the logs. As the repurchase was not done within six months of the breach of contract the extra cost could not be recovered, but only a sum of Rs. 8,500 representing the difference between the contract price and the price prevailing nearabout the date of breach of contract was recovered from the firm.

493. In evidence, the D.G.S. & D. admitted that there had been a lapse on the part of the Assistant dealing with the case to take timely action in the matter. At that time the Timber Section was overburdened with the work of purchases. Also the file on the subject was not available from April to June, 1954, having been referred to another office. The D.G.S. & D. had, therefore, taken a lenient view of the matter at the time of awarding punishment to the Assistant concerned and only his 'grave displeasure' was communicated to him. He stated further that instructions had been issued for the maintenance of purchase registers by all purchase officers in respect of cases falling within their financial powers to keep them in touch with the day to day progress of the execution of the orders.

Loss due to discrepancy between the terms of the Tender enquiry and the contract—Para 48 of Audit Report, 1959.

494. An overseas mission issued telegraphic tender enquires for the supply of cargoes for foodgrains stipulating that the discharge expenses would be borne by the buyer. The standard contract form, provided that such expenses (crane hire charges) would be borne by the suppliers. Four out of the five firms on whom orders were placed, accepted the terms in the standard contract but one asked for the deletion of the provision relating to payment of crane hire charges. It was stated in the Audit para that while one firm had paid the charges in full and another in part, the remaining firms had not paid these expenses.

495. The Secretary to the Ministry of W.H. & S., informed the Committee that as a result of further negotiations they had been successful in recovering from the Companies 79 per cent of the entire expenses incurred on crane hire charges by Government.

Over-payments to Oil Companies—Para 49 of Audit Report, 1959.

496. A contract entered into with a company for the supply of axle-oil stipulated *inter-alia* that the prices were based on the then prevailing rate of import duty and sea freight rates from U.S.A. to Calcutta and that an increase or decrease in these items would be to the buyer's account. The firm asked for an increase over the contract rates for supplies commencing from 1st March, 1951 and 20th September, 1951, on this account, which were readily accepted without due verification. On being pointed out by Audit in April, 1953 that the increased rates should have been made applicable to the supplies made from stocks imported after the increase in the rates of customs duty/freight, Government decided in May, 1957 to recover, a sum of Rs. 2,23,210 from the Oil Company. The firm however, took the matter to arbitration and filed counter claims for Rs. 12 lakhs (approximately).

497. In extenuation the D.G.S. & D. attributed the delay (four years) in coming to a final decision in the matter of claiming the extra payment from the Company to the collection of information from the direct demanding officers who were operating the running contract with the oil company and were spread all over India. The matter was still pending with the arbitrator as the other party (Oil Company) had not paid its share of the arbitration fee. Similar reviews were also being conducted in respect of P.O.L. contracts which had been entered into with other companies and which contained similar provisions for price variation.

Loss of revenue due to non-maintenance of accounts records—Para. 50 of Audit Report, 1959.

498. After partition a large number of Government buildings went into unauthorised occupation of displaced persons. The registers showing the assessment and recovery of rent in respect of such buildings vacated by unauthorised occupants before 31st December 1950, were not maintained despite orders having been issued by Government in September, 1949. The registers were ultimately opened and made available to Audit in April, 1952. Even then no regular assessment of rents was made with the result that balances recoverable from the occupants could not be worked out.

499. The Director of Estates informed the Committee that from whatever information he could collect from the files he had made an assessment of the rents recoverable in respect of these buildings. Out of a total arrears of rent of about Rs. 14 lakhs recoverable from the displaced persons about Rs. 9 lakhs had been recovered. The amount of rent relating to buildings which were vacated by unauthorised occupants before 31st December, 1950, and which could not be recovered was about 2·9 lakhs. Efforts were being made to recover the balance.

Avoidable extra expenditure incurred in purchase of Teak planks—Para 52 of Audit Report, 1959.

500. A Central Purchase Organisation placed a contract on a firm for supply of teak planks by 30th April, 1951. The firm tendered the stores for inspection on 20th April, 1951 but the Inspector refused to carry out the inspection as he had received neither the advance acceptance of tender nor the contract copy. On 11th May, 1951 the Inspector called for a copy of the contract but actually got one on 16th June, 1951 (the original having been wrongly despatched on 16th May, 1951). Meanwhile the delivery period of the contract was extended upto 31st August, 1951 to which the firm did not agree. Government repurchased the same material from another firm at an extra cost of Rs. 24,700.

501. In evidence, the D.G.S. & D. informed the Committee that suitable disciplinary action was being taken against the Section Officer for his failure to send an advance copy of the acceptance of tender to the Inspector concerned.

Delay in supply of "Purchase order files" to audit—Para 63 of Audit Report, 1959.

502. Under a mutually accepted procedure all selected "Purchase Order files" of the Central Purchase Organisation have to be made

available to audit within three days of requisition. The Audit para indicated the number of cases involving great delays in complying with such requisitions or in answering the audit queries relating to purchase orders.

503. The D.G.S. & D. claimed that as a result of subsequent instructions issued by him, the position had improved substantially.

Appropriation Accounts (Civil), 1957-58, Vol. XVII, Note 4, page 10, Delay in enforcing recovery from a defaulter.

504. On 15th October, 1952 a contract placed on a firm was cancelled owing to its inability to supply the stores. The stores were repurchased at an extra cost of Rs. 5,165. As the defaulting firm failed to pay the penalty and subsequently repudiated its liability to make such payment the case was referred to arbitration in September, 1957, which was still not finalised.

505. The Secretary to the Ministry of W.H. & S., stated that responsibility had been fixed for the delay in handling this case and the officials were being suitably punished.

Shortage of Government money—Note 20, page 24, Appropriation Accounts (Civil), 1957-58, Vol. XVII.

506. A special inspection of the records of an Estate Office in April, 1954 disclosed a shortage of Rs. 3,871 and a temporary misappropriation of Rs. 4,226 from out of rent realised during the period October, 1951 to April, 1954. Criminal cases had been filed against the ex-cashier and ex-estate manager. The ex-cashier had since filed an appeal against the orders of the lower court.

507. In evidence, the Director of Estates stated that the system of accounting by which money received by the clerk was transmitted to the Estate Manager's office had been tightened up and periodical checks were exercised to obviate the recurrence of such cases.

508. *The Committee then adjourned to meet again at 14.30 hours on Monday, the 14th December, 1959.*

PROCEEDINGS OF THE FORTY-FIRST SITTING OF THE
PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY,
THE 14TH DECEMBER, 1959.

509. The Committee sat from 14.30 to 16.50 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Pandit Jwala Prasad Jyotishi
3. Shri Radha Raman
4. Shri T. R. Neswi
5. Shri Aurobindo Ghosal
6. Shri Yadav Narayan Jadhav
7. Shri Sharddhakar Supakar
8. Shri Amolakh Chand
9. Shri Jaswant Singh.

Shri A. K. Chanda, *Comptroller & Auditor-General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor-General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. K. Sen, *Director of Commercial Audit.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation Supply, Commerce, Steel & Mines.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

WITNESSES

Ministry of Home Affairs

Shri B. N. Jha, *Secretary.*

Shri V. Viswanathan, *Special Secretary.*

Shri Hari Sharma, *Additional Secretary.*

Shri R. R. Bahl, *Joint Secretary.*

Shri A. D. Pandit, *Chief Commissioner, Delhi.*

Ministry of Labour & Employment

Shri P. M. Menon, *Secretary.*

Ministry of Finance (Department of Expenditure)

Shri T. P. Chatterjee—*Deputy Financial Adviser.*

Ministry of Finance (Department of Economic Affairs)

Shri A. G. Krishnan, *Under Secretary.*

MINISTRY OF HOME AFFAIRS

Audit Report (Civil), 1958—Part I

Overpayment to Stevedoring Labour—para 31, pages 30-31.

510. The Andamans and Nicobar Administration had requested Government sanction in June, 1947 for the issue of free snacks and tea costing approximately annas 0-2-0 per head per diem to certain stevedoring gangs working in two shifts. In the Government sanction dated 2nd September, 1947, the rate had, however, been mentioned as 12 annas due to a typographical error. Rectification of the error had not been sought because it escaped detection through failure to compare the sanction with the proposal made. On the basis of this sanction, the Administration had provided the amenity at cost higher than that it had proposed itself and also had extended that to single-shift stevedoring gangs. That resulted in an extra expenditure of Rs. 11,465 in the case of double shifts and an unauthorised expenditure of Rs. 40,020 on single shift.

Government had ordered in August, 1956, an investigation into the irregular expenditure but meanwhile issued *ex-post-facto* sanctions in August, 1956 and June, 1957 to regularise the above unauthorised and excess payments. The results of the investigation ordered by Government were awaited.

511. Explaining the circumstances under which the mistake had occurred, the Secretary of the Ministry stated that the Administration had asked for Government sanction at the rate of annas 0-2-0 per head per diem for tea, besides free food to the labourers as their wages were considered low, having regard to the amount and nature of work. In the Ministry, the dealing officer wrote in his own hand 0-2-0 per head per diem. But the typist typed 0-12-0 instead and the mistake was not detected. The Administration understood the

sanction to cover both free tea as well as food to double shift labourers. While he admitted that the Administration was at fault to a certain extent in not having sought clarification, he urged that the remoteness of the place and difficulties in communication should not be overlooked.

512. As regards fixation of responsibility for the mistake, he stated that the typist was no longer in the Ministry. The dealing officers in the Administration had also retired. The Administration had, however, explained that even after taking into account the extra payment, the labour proved cheaper than that available in Madras and Calcutta for similar work.

Non-provision for the audit of the accounts of the Statistical Institute, Calcutta, para 32, pages 31-32.

513. Grants amounting to Rs. 3,30,53,915 had been sanctioned by Government to the Statistical Institute, Calcutta, for certain specific purposes (including a large expenditure of a capital nature) during the years 1951-52 to 1957-58. A grant of Rs. 95 lakhs had been provided for in the budget for 1958-59. The certificate regarding the proper utilisation of the above grants sanctioned in the years 1953-54 onwards was awaited in Audit.

The Institute was a society registered under the Societies Registration Act and its accounts were audited by professional auditors. No annual balance sheets had hitherto been published and submitted to Government. Audit had no means of ensuring that the grants were utilised for the purpose for which they were sanctioned and money was spent with due regard to efficiency and economy as the accounts of the Institute were not open for a test check by the Audit Department.

514. The Comptroller and Auditor General informed the Committee that this para pertained to the Cabinet Secretariat but had been shown under the Ministry of Home Affairs through an oversight. The Home Secretary stated that the Cabinet Secretary had deputed his Deputy Secretary to appear before the Committee.

515. The Chairman, observed that in consonance with well established practice, the Secretary of the Ministry concerned should be present to give evidence. In case, he could not be present, he should seek prior permission of the Committee to depute another senior officer to give evidence. The Committee, therefore, decided not to examine the Deputy Secretary and postponed consideration of the para.

516. The Comptroller and Auditor General referred to the Indian Statistical Institute Bill, 1959 which was under discussion in Lok Sabha. Under Section 6, the accounts of the Institute were to be

audited by auditors to be appointed by the Central Government in consultation with the Comptroller and Auditor General and the Institute. The Central Government were empowered to issue such directions to the auditors as they might think fit. The auditors would present their reports to the Institute and also forward a copy thereof to the Central Government for their information.

517. Commenting upon these provisions, he stated that even in the case of institutions where the audit was entrusted to professional auditors, under a stipulation of the Finance Ministry grants-in-aid in excess of Rs. 1 lakh per annum recurring and Rs. 5 lakhs non-recurring automatically attracted audit scrutiny of the Comptroller and Auditor General.

518. Under the Company Law also directions to the Auditors were to be issued by the Comptroller and Auditor General and in cases where he considered necessary, he could undertake a supplementary or test audit.

But none of these safeguards had been provided for in the case of grants-in-aid to this Institute. It was difficult for him to say whether the above provisions were in contravention of the constitution. He, however, took the view which was also stated to have been accepted by Government that any withdrawal of funds from the Consolidated Fund of India would automatically attract the audit scrutiny of the Comptroller and Auditor General. But if moneys could be withdrawn from the Consolidated Fund of India and placed at the disposal of autonomous institutions without providing for any check by the Comptroller and Auditor General as to its utilisation, the whole Government could come to be run by corporations or companies constituted by Government. He felt that such an arrangement would be a negation of the concept of accountability to Parliament.

519. Alluding to the practice prevailing in the U.K. in this behalf, he stated that there the audit of grants-in-aid was one of the important functions of the Comptroller and Auditor General. Similarly, in the U.S.A., the Comptroller General had even commented on the utilisation of aid given to foreign countries.

Audit Report (Civil), 1959—Part I

Delay in the issue of expenditure sanction and omission to provide funds, para 30, page 28.

520. The expenditure amounting to Rs. 17,47,528 incurred by the Defence Authorities on behalf of the Ministry on certain measures during December 1956 to June 1957 was passed on for adjustment

against that Ministry in August, 1957. Further debits amounting to Rs. 1,10,619 on that account were also received for adjustment against the Ministry in June and November, 1958. The Ministry having made no budget provision during 1957-58 and 1958-59 and not having issued any expenditure sanction in this regard, the amounts were kept under a suspense head outside the Consolidated Fund.

521. The Committee were critical of the practice to keep large sums under "suspense" which vitiated parliamentary control.

522. In evidence, the Committee were informed that the accounts had since been adjusted. Asked about the delay in this behalf, the witness stated that there had been some difficulty in settling the allocation of the expenditure to different authorities.

Appropriation Accounts (Civil), 1956-57 and 1957-58, Volume IX.

523. The Committee noticed savings under Grant Nos. 51, 57, 58, 62 and 131 during the year 1956-57. The percentage of savings ranged from 12.5 to 52. Similarly, savings under Grant Nos. 51, 59, 62, 63 and 120 in the next year ranged from 12.9 to 73.7.

524. Explaining the reasons for savings of Rs. 76,24,959 out of the total provision of Rs. 1,47,66,000 under Grant No. 58—Kutch in the year 1956-57, the Additional Secretary of the Ministry stated that the transfer of Kutch to the Bombay State on 1st November, 1956 under the States Reorganisation Act accounted for the shortfall as earlier the funds had been provided for the full year.

525. Regarding the savings of Rs. 2,17,83,082 out of the budgeted amount of Rs. 5,23,74,000 under Grant No. 62 in the year 1956-57, the witness stated that the grant had been sanctioned for the purposes of grants-in-aid to State Governments for statistical work, social and moral hygiene and after-care services, and welfare of backward classes. But the scheme for statistical purposes could not be implemented by the States due to shortage of qualified personnel, time taken for recruitment of staff and setting up of the statistical agencies and post-budget modifications of the scheme. There was also a considerable dislocation in work to be done for backward classes due to reorganisation of States.

526. When asked about the reasons for savings under Grant No. 62. Laccadive, Minicoy and Amindivi Islands in the year 1957-58, the witness stated that these islands were under the Madras State before reorganisation of the States. Provision was for expenditure on Plan Projects. But the amount could not be spent.

Infructuous expenditure, Note 9, page 10 (1956-57 accounts).

527. A department entered into an agreement with a flour mill for grinding a minimum guaranteed quantity of 90,000 maunds of wheat/barley per month, with effect from the 1st December, 1948, till the end of rationing in Delhi.

When rationing was discontinued on the 28th February, 1954, in Delhi, no intimation was sent to the Mill which continued grinding upto the 9th March, 1954. The mill claimed Rs. 16,484/8/- as compensation for the difference between the grinding charges on the guaranteed quantity of 90,000 maunds and the quantity of 57,031 maunds actually ground during the post-rationing period from 1st to 9th March, 1954 @ -/8/- annas per maund. The department, however, rejected the claim on the plea that the Agreement expired on the 28th February, 1954, and the minimum guarantee clause did not apply thereafter.

In terms of the Agreement, the mill referred the dispute to arbitration by the Chief Commissioner. The Arbitrator allowed the claim on the mill in full on the 28th December, 1956, for the reasons that the mill had been allowed to continue the work of grinding even after the termination of rationing on 28th February, 1954, and that in the absence of any other agreement the old agreement was applicable for the month of March, 1954 and that the minimum guarantee clause applied. Government had, thus, to incur an infructuous expenditure of Rs. 16,484/8/-. No responsibility had been fixed for the departmental lapse.

528. Explaining the circumstances of the case, the Chief Commissioner, Delhi Administration stated that at the time of termination of the rationing on 28th February, 1954, the mill had a left-over quantity of 20,000 maunds of grains. Another 10,000 maunds of grains were advanced by the Government subsequently. The mill wrote a letter stating that as discussed it would grind this stock on the same terms as in the previous agreement. But the then Deputy Rationing Controller did not reply to that letter, and the mill took it that all the terms of the old agreement would apply to the grinding of the grains with them. The Deputy Rationing Controller had, therefore, been asked to explain his failure to reply to the letter from the mill.

529. When asked about the reasons for delay in asking for his explanation, the witness stated that the arbitrator gave his award only on 28th December, 1956. Thereafter, the award had been under examination of the various Ministries with a view to finding whether they would like to go to the Civil Court against the award.

Bilaspur Commercial Corporation, Note 8, page 77 (1956-57 accounts).

530. The Committee noticed that the sundry debtors as on 31st March, 1958 stood at Rs. 25,878 as against Rs. 36,325 at the end of the previous year. They understood from the accounts of 1957-58 that a sum of Rs. 20,000 had since been recovered from the *ex-ruler* in April, 1958.

531. The Committee were informed that a substantial amount had been recovered and the balance related mostly to various departments of the Administration. The Committee desired to know whether the question of recovery of interest from the *ex-ruler* had been decided and, if so, the present position of its recovery. The information being not available readily, the witness promised to submit a note to the Committee.

532. The balance of stock of asbestos sheets with the Corporation (bought in 1943) stood at Rs. 14,509 on 31st March, 1958. Sheets worth Rs. 3,281 had been sold to P.W.D. and the balance auctioned for Rs. 2,000 resulting in a loss of Rs. 9,223.

533. The Additional Secretary of the Ministry admitted that there had been delay in the disposal of the sheets. These had been purchased for the construction of a High School building which was, however, abandoned. It was proposed to utilise the sheets for constructing sheds for the Transport Department. But being already cut into semi-circular shape, these could not be utilised. He also stated that according to the Administration, the sheets were not in demand in the market.

Rosin and Turpentine Factory, Nahan, page 179 (1956-57).

534. The loss in the working of the factory had been increasing from year to year as given below:—

1955-56	.. Rs. 68,585
1956-57	.. Rs. 4,19,859
1957-58	.. Rs. 6,05,951

535. Explaining the reasons for the losses, the witness stated that the Managing Agents were not managing the factory properly. The agreement entered into by the Sirmur Darbar in 1945, was defective in so far as it did not place any responsibility for the losses on the Managing Agents and gave them a free hand to run the factory for 20 years. In reply to a question, the Committee were informed that there had been losses in the factory during 1948-49 and 1949-50 and during the next three years there had been a profit. Subsequently,

there had been a loss in every year. The working of the factory in the present year was, however, better as the old managing agency had been terminated.

Sundry Debtors, page 179 (1957-58 accounts).

536. The outstanding Sundry Debtors at the close of the year 1957-58 amounted to Rs. 7,90,446 as against Rs. 4,75,362 during 1956-57.

The Committee desired to be informed about the principal debtors, the amounts outstanding against them, the periods for which these had been outstanding and the chances of recovery thereof. The information being not readily available, the Committee were promised a note.

Delay in submission of notes/statements.

537. The Committee took a serious view of inordinate delay on the part of the Ministry in furnishing the information required by them in spite of several reminders. The Secretary of the Ministry stated that the dispatch of the requisite information would be expedited.

Excesses over Voted Grants.

538. The following were the three cases of Excesses over Voted Grants of the Ministry of Home Affairs during the year 1957-58:—

1. 55—Census—Excess Rs. 80.
2. 60—Manipur—Excess Rs. 8,63,045.
3. 61—Tripura—Excess Rs. 31,35,783.

The Committee had desired to be furnished with notes stating the reasons for these excesses by the 28th October, 1959. These were, however, received on 2-11-1959, 14-12-1959 and 1-12-1959 respectively.

The Committee deprecated the delay on the part of the Ministry of Home Affairs in furnishing the notes. The representative of the Ministry, however, informed the Committee that to expedite matters, an Officer of the rank of Joint Secretary had been deputed to attend to the work of the Public Accounts Committee.

Grants-in-aid to Sarva Seva Sangh.

539. It appeared from the replies to the questions in Parliament that a total grant of Rs. 13·92 lakhs was made to the Sarva Seva Sangh by the Government of India to the Orissa Government for the development of Gramdan Villages in Orissa (Rs. 2 lakhs were given during 1955-56 and Rs. 11·92 lakhs during 1956-57). Of this, they could spend Rs. 6·97 lakhs only. Out of the remainder, they were stated to have refunded Rs. 4·50 lakhs and the balance of Rs. 2·45

lakhs still remained to be surrendered. With a view to ascertaining how money provided by the Government was spent by that Organisation and whether the accounts were audited by the A.G., Orissa, a reference was made to the Ministry who had, *inter alia*, stated that the Sangh did not furnish the accounts in time; even the accounts furnished later in the year 1958 showed certain discrepancies from the figures reported earlier. Further grant to the Sangh had been stopped by the State Government and they had asked the Sangh to refund the unspent balance.

540. The Committee were informed by the witness that the Sangh had refunded all the amounts due from them. They had also furnished accounts of the money spent by them so far. But these had not yet been scrutinised by the Orissa Government. He promised to furnish the results of the scrutiny as soon as they were received from the State Government. Asked about the beneficial results of grants-in-aid to the Sangh, the witness stated that the organisation of the Sangh were not well-equipped to tackle work and had, therefore, failed. The Orissa Government had themselves taken over the job of the development of Gramdan Villages.

MINISTRY OF LABOUR & EMPLOYMENT

Audit Report (Civil), 1958—Part I

Loss due to non-occupation of miners' Quarters, para 33, pages 32-34.

541. Government sanctioned an estimate for Rs. 1,01,25,000 for the construction by the Coal Mines Welfare Organisation of 4,500 quarters at Bhuli Township for providing better housing accommodation to the workers employed in the coal mines. The Organisation, however, decided in 1947 to construct only 2,000 quarters. Actually only 1,566 quarters were constructed, at a total cost of Rs. 77,25,898, the first batch of 200 being ready for occupation in April, 1950, the second batch of 220 a year later and the remaining 1,146 in April, 1953.

The progress of allotment and occupation of the quarters had been so slow that in December, 1955 (i.e., over 5 years after the initial construction) above two-fifth of the quarters remained vacant and about one-third remained unoccupied even at the end of December, 1957.

The loss to the Organisation in the shape of rent for the vacant quarters upto February, 1958 at the minimum rate of Rs. 2 per mensem per quarter was of the order of Rs. 73,500 assuming that free transport had been arranged for the workers in all cases.

A similar loss of about Rs. 5,900 in rent was sustained by the Welfare Organisation as 28, out of 48 quarters, constructed at an

approximate cost of Rs. 1,23,000 in 1947 in another Coal Field Area, remained vacant from April, 1948 to January, 1957. From 1st February, 1957 all the 48 quarters including the land were handed over to the West Bengal Government temporarily at a monthly rental of Rs. 576, for the lot.

542. The Committee enquired the latest position about the number of the quarters lying vacant. The Secretary of the Ministry stated that excepting 112, all the quarters were occupied. There would also be no difficulty in the allotment of these 112 quarters. It was explained that the main reason for miners' reluctance to move into those houses was lack of transport. The rent was not a problem as under the bye-laws of the organisation the monthly rent of each quarter was fixed at Rs. 8 of which Rs. 2 were payable by the miner and Rs. 6 by his employer. If the management provided transport, it was exempted from the payment of their share of rent of Rs. 6 per quarter.

543. Under the latest arrangement, buses had been provided by the employers. Scarcity of water was another problem. It was proposed to solve the problem by getting water from D.V.C. As that would take some time, tube-wells had been sunk. Electricity was being provided to the miners, and the railways had provided a halt at the place. All these measures, he thought, would make the place more attractive. When asked how the recurring expenditure on the maintenance of quarters was to be met if the employees' share of rent was not recovered the witness stated that that would be a charge on the Coal Mines Labour Welfare Fund.

Appropriation Accounts (Civil), 1956-57, Vol. XIII, page 20, Grant No. 71—Chief Inspector of Mines.

544. There was a saving of Rs. 11,98,906 out of a total provision of Rs. 24,40,000 under this grant, viz., 49 per cent.

Explaining the reasons for savings, the witness stated that in spite of repeated advertisements, Government had not been able to get the requisite technical personnel. Recently, the pay scales had been improved and it was hoped that vacancies would be filled up. The Committee enquired why the Ministry could not train some personnel at their own expense. It was stated in evidence that training facilities were being increased, but the course of training being very lengthy, they did not provide an immediate solution of the problem. This attracted comment from the Comptroller and Auditor General that in that case provision of funds should be in accordance with the realities.

Page 24, Grant No. 136—Capital Outlay of the Ministry of Labour.

545. In this case also, there was a saving of Rs. 33,80,357 out of a total provision of Rs. 55,00,000, viz., 61 per cent.

The Committee were informed by the witness that the scheme for training of craftsmen was under the Central Government till November, 1956. The entire expenditure of Regional Directorate, Assistant Director of Training and equipment for training institutions used to be met by the Central Government. But the running expenditure of the training institutions used to be shared in the ratio of 60 to 40 by the Centre and State Governments.

546. In pursuance of the Shiva Rao Training Committee's recommendations, the whole Organisation was handed over to the State Governments in November, 1956, and the expenditure was to be shared in the ratio of 60 to 40 between the Central and State Governments. But when the budget provision was made, the change in the pattern of financing had not been visualised. It was also at this time that the States were reorganised. Thus the full amount could not be spent.

Appropriation Accounts (Civil), 1957-58, Vol. XII—Heavy accumulation of recoverable bills, Note 11, page 18.

547. A total sum of Rs. 1,49,162 representing (i) the cost of special drug and X-ray charges at half rates, due from certain Collieries for treatment of their patients (Rs. 96,913), (ii) X-ray charges due from entitled persons at half-rates and non-entitled persons at full rates (Rs. 4,240), (iii) treatment charges due from non-entitled persons including the staff of Coal Mines Provident Fund Commissioner and Mica Mines Labour Welfare Fund Organisation (Rs. 26,229), (iv) hire charges for use of the Ambulance Van (Rs. 8,573), and (v) the cost of treatment of the officers and the staff of the Coal Mines Labour Welfare Fund (Rs. 13,207) was outstanding in the accounts of a Central Government Hospital on 1st May, 1958. Out of this amount, a sum of Rs. 32,145 had been recovered upto 31st December, 1958 leaving a balance of Rs. 1,15,955 still to be recovered on that date.

548. It was explained to the Committee by the witness that there had been accumulations of recoverable bills since 1951. The hospitals till 1954 did not supply expensive medicines like antibiotics, etc. free of cost. The patients had to make payments for them and the bills therefor were sent to the collieries. Subsequently in 1956, it was considered that as the cess was being collected for the welfare of the miners, whatever expenditure was considered reasonable by the doctors, should be met from the Welfare Fund itself. It was also

considered that this new policy might be made applicable with retrospective effect. But it was feared that that might lead to claims for refunds from persons who had already paid for the costly medicines.

549. He, however, thought that there was a case for reconsideration of the whole matter. Wherever expenditure had been incurred on the treatment of miners, it need not be recovered. But in case of other items, though smaller in terms of money, the persons concerned should be required to pay. Meanwhile, the Government were trying to collect all the arrears.

Outstanding Recommendation—20th Report (Second Lok Sabha)

Statutory provision to provide medical facilities to the miners by the owners of collieries, para 32.

550. The Committee were informed that the matter was still under examination of the Government.

551. *The Committee then adjourned sine die.*

PROCEEDINGS OF THE FIFTY-THIRD SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 16TH
MARCH, 1960.

552. The Committee sat from 15.00 hours to 17.45 hrs.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Pandit Jwala Prasad Jyotishi
3. Shri Radha Raman
4. Shri Rameshwar Sahu
5. Shri T. R. Neswi
6. Shri T. Sanganna
7. Shri Jaipal Singh
8. Shri Shraddhakar Supakar
9. Shri Amolakh Chand
10. Rajkumari Amrit Kaur
11. Shri Surendra Mohan Ghose
12. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri S. Venkataramanan. *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

553. The Committee took up consideration of their Twenty-fifth Report on the Appropriation Accounts (Civil), 1956-57 and 1957-58 and Audit Reports (Civil), 1958 and 1959, Part I and approved, sub-

ject to certain modifications here and there, draft paras relating to the Ministries of Rehabilitation, Rehabilitation Finance Administration, Commerce & Industry (Nahan Foundry and Sindri Fertilizers and Chemicals Ltd.), Finance and Health.

554. The Committee then adjourned till 15·00 hours on Thursday, the 17th March, 1960 to take up further consideration of the draft paras relating to other Ministries.

PROCEEDINGS OF THE FIFTY-FOURTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 17TH MARCH, 1960.

555. The Committee sat from 15.00 to 17.30 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri T. Manaen
3. Pandit Jwala Prasad Jyotishi
4. Shri Radha Raman
5. Shri Rameshwar Sahu
6. Shrit T. R. Neswi
7. Shri T. Sanganna
8. Shri Vinayak Rao K. Koratkar
9. Shri Jaipal Singh
10. Shri Shraddhakar Supakar
11. Shri Amolakh Chand
12. Rajkumari Amrit Kaur
13. Shri Surendra Mohan Ghose
14. Shri Jaswant Singh.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

556. The Committee resumed consideration of their draft Twenty-fifth Report on the Appropriation Accounts (Civil), 1956-57 and 1957-58 and Audit Reports (Civil), 1958 and 1959 Part I and approved, subject to certain modifications here and there—

- (i) Draft paras relating to the Ministries of Irrigation & Power, Works, Housing & Supply, Commerce & Industry and Steel, Mines & Fuel;
- (ii) Chapter I—Financial Results of the Government of India (Civil Grants) for 1956-57 and 1957-58.
- (iii) Chapter II—Budgeting and Control over Expenditure; and
- (iv) Introduction.

557. The Committee authorised the Chairman to sign the Report and present it to Lok Sabha.

558. The Committee also authorised Shri Surendra Mohan Ghose to lay the Report on the Table of Rajya Sabha.

559. The Committee then adjourned to meet again at 15.00 hours on Tuesday, the 22nd March, 1960 when they will *inter alia* take up consideration of the draft paras relating to the other Ministries.

PROCEEDINGS OF THE FIFTY-FIFTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 22ND
MARCH, 1960.

560. The Committee sat from 15.00 hours to 16.15 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Pandit Jwala Prasad Jyotishi
3. Shri Rameshwar Sahu
4. Shri T. R. Neswi
5. Shri Yadav Narayan Jadhav
6. Shri Shraddhakar Supakar
7. Rajkumari Amrit Kaur.

Shri G. S. Rau, *Addl. Dy. Comptroller & Auditor General.*

Shri S. Venkataramanan, *Accountant General, Central Revenues.*

Shri P. V. R. Rao, *Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel and Mines.*

Shri P. K. Sen, *Director of Commercial Audit.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

561. The Committee took up further consideration of their draft Twenty-fifth Report on the Appropriation Accounts (Civil), 1956-57 and 1957-58 and Audit Reports (Civil), 1958 and 1959 Part I and approved, subject to certain modifications here and there, draft paras relating to the Ministries of External Affairs, Food and Agriculture, Home Affairs, Information and Broadcasting, Education, Scientific Research and Cultural Affairs and Transport and Communications

562. The Committee then adjourned till 14.30 hours on Thursday, the 24th March, 1960 to take up further consideration of the draft Twenty-sixth Report relating to the Iron & Steel Controller's Organisation.

APPENDICES

APPENDIX I

Summary of Conclusions/Recommendations

S. No.	Para No.	Ministry/Deptt. concerned	Conclusions/Recommendations
1	2	3	4
1	3	Education S.R. & C. A. Defence Finance	<p>The Committee attach great importance to submission of accounts in time. Non-submission of accounts for sums of this magnitude is fraught with grave risks. They fail to understand how year after year additional funds were paid without first obtaining an account for the moneys already paid. The Committee are hardly convinced by the explanation of the Ministry of Education for delay in the submission of accounts. They are surprised why the Ministry of Finance had also been so complacent about this matter.</p> <p>The Committee have repeatedly emphasised in the past that the practice of keeping large amounts under 'suspense' was most undesirable as it resulted in presentation to Parliament of a distorted picture of expenditure incurred each year on the respective schemes financed from the Consolidated Fund.</p> <p>The Committee do not look with favour on the procedure of placing funds with subordinate organisations through letters of credit. This, in their opinion, not only engenders in the recipient organisations a tendency to delay the preparation and submission of accounts, but also opens the way for all kinds of frauds, misappropriations, etc. The Committee understand that a revised procedure is being evolved by the Ministry of Education in consultation with Audit. They trust that the new procedure will be introduced as early as possible.</p>
2	4	Education S.R. & C. A. All other Ministries.	
3	5	Do.	

I	2	3	4
4	6	Education -- -- -- S.R. & C. A.	The Committee suggest that immediate steps be taken to clear the accounting arrears that have already accumulated, and a report made to them.
5	9	Defence. Education S.R. & C.A.	The Committee regret to observe that in this case too, the Ministry of Education had failed in their duty to ensure expeditious submission of detailed accounts to Audit. They desire that prompt and effective steps should now be taken to clear off the accounting arrears.
6	10	Do.	The Committee feel that it was most improper on the part of the officers of the Ministry to have drawn advances much in excess of requirements and retained them for long periods. In their view, stern action is called for against those responsible.
7	11	Do.	The Committee trust that the Ministry will go into the question of drawing funds on simple receipt forms more thoroughly and take steps to restrict this practice to rare occasions.
8	13	S.R. & C.A. W.H. & S. Law	The Committee would like to be apprised of the final outcome of the Ministry's examination of the question of recovery from the second purchaser of the loss on account of rent of land and expenditure on watch and ward from the specified date of clearance of site to the actual date of clearance.
9	14	S.R. & C.A. W.H. & S.	(i) The Committee are of the opinion that a time-lag of over a year between the handing over of the land to the C.P.W.D. for relinquishment and the first auction was not justified.

W.H. & S.

(11) The Committee appreciate that as a knowledge of local conditions and of the type of structures was necessary and advantageous for disposing of buildings and building materials, etc., Central disposal in cases of this type was not advisable. They would, therefore, like the Ministry of Works, Housing and Supply to examine the feasibility of simplifying the existing procedure regarding disposal of dismantled materials and of other stores which require knowledge of local conditions on site with a view to ensuring that the time involved in their disposal is reduced to the barest minimum.

The Committee are amazed that an officer of the standing of a Superintending Engineer should have been so grossly ignorant of his powers in regard to disciplinary matter under the Classification, Control and Appeal Rules. They were given to understand that the Ministry of Finance have recently recirculated among the officers the Classification, Control and Appeal Rules for careful study and strict compliance. The Committee trust that in future Ministries would take serious notice of procedural lapses in instituting disciplinary cases by Officers so that Government are not put to unnecessary loss as in the present case.

The Committee are not satisfied with the explanation of the Ministry for not stopping the subsistence allowance from April 1954 to the Officer when they came to know of his employment under a State Government. It is obvious that the right to subsistence allowance automatically ceases when an officer takes up employment elsewhere.

The Committee find it difficult to accept the explanation of the Ministry that as printing charges in Moscow were heavy they thought of printing the material at Rome at a cheaper rate

External Affairs
All other Ministries

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External Affairs

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External Affairs

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and that mistakes would not be repeated as a Professor of Russian had been engaged in the translation work. It is surprising that the Mission did not take adequate steps to ensure that the mistakes detected in April, 1955 did not recur in March, 1956 when the publication was printed again. They trust that the Ministry will take steps to avoid such mistakes by our Missions in future.

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23

External Affairs

The Committee desire to be informed of the action taken against the fourth officer after his explanation has been examined by the Ministry. They trust that there is at present proper arrangement in the Ministry for scrutiny of the orders of sanction of various allowances to officers in the Indian Missions abroad.

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Do.

The Committee feel that the Mission did not care to implement the decision of Government regarding utilisation of the acquired land. The land has remained unutilised for ten years. If the land value had risen in the meantime—it was fortuitous—it cannot be put forth as a plea to justify the expenses incurred by Government especially when speculation in land values is not a function of Government and less so in a foreign country. The Committee would like to know the yearly expenditure on rental, etc., the present arrangements for housing the staff, the savings that would result by building quarters for the staff and the total expenditure likely to be involved by such a construction and the time that would be taken for building the quarters.

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Agriculture

The Committee deplore the way in which the Ministry had set about planning and executing the Pilot Plant for production.

of different types of paper and boards from indigenous raw materials. They were given understand that the firm with whom orders were placed for equipment had no experience in that line of manufacture.

The Committee were concerned at the large expenditure already incurred on this project without any return and desired to know how it was proposed to utilise the plant. They could not appreciate how manufacture of paper from bamboos, waste papers, etc. would facilitate research on manufacturing paper from indigenous raw materials.

While they would like to watch the working of this plan, they cannot help observing that the entire project was ill-conceived.

The Committee find it difficult to appreciate the plea of the Ministry that the quantity of timber prescribed in the agreement was based on an incomplete appreciation of the working plans and the capacity of the forests and was on the high side as they were earlier informed that out of the 9 tenders the firm of contractors in question offered 78% as royalty while the others 47% and below. They disapprove strongly the tendency to bring in considerations which should rightly have been taken into account at the time of entering into the contract. Such action cuts at the very basis of competitive tendering. There is also the risk of contractors assuming that they can always disregard the terms of contract with impunity, if penalties are waived on a *posteriori* considerations.

The Committee understand that the question of recovery of royalty on the shortfalls is under the active consideration of Government. They desire that the matter should be settled quickly as the amount due is reported to be Rs. 51.49 lakhs upto 1957-58.

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Do.

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Agriculture

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Agriculture

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TransportW.H.&S.

(i) The Committee deplore the routine manner in which the Ministries concerned had acted in the matter of diversion of the vessel from Visakhapatnam to Kakinada without appreciating the need for urgent action. In their opinion, the Ministry of Transport could well have taken up the matter direct with the Agriculture Department in this case under intimation to the Mission. Likewise the India Supply Mission could have taken up the matter immediately with the shippers without raising a controversy.

Do.

(ii) The Committee would suggest that Government should consider the question of delegation of powers to Missions for negotiating diversion of vessels whenever necessary to the best advantage of Government. The Committee were informed that to avoid such situations in future, alternative ports of destination were included in the Charter Party. They trust that this together with delegation of more powers to Missions abroad will avoid recurrence of such cases.

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Food

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(i) The Committee are not satisfied with the explanation of the Ministry that as it was procurement time the contractor was allowed to start the work before executing the agreement.

(ii) They are also perturbed over the unduly long delay in finalising departmental proceedings.

(iii) The Committee would like to be informed of the action taken by Government on the various recommendations of the Board of Enquiry, set up in February, 1959.

The Committee suggest that whenever deviations from the prescribed procedure are made *ad hoc* the full consequences thereof should be examined by all the Ministries/Departments concerned. They trust that such mistakes in chartering of vessels will not recur.

The expenditure of Rs. 1,01,685 already incurred upto August, 1958 on its erection and maintenance of the plant at Bombay port together with the rent of site on which erected and the further expenditure on these counts till the plant is shifted to another Port must be regarded as infructuous.

It was urged before the Committee that diversion of ships and the terms therefor were to be mutually agreed upon between the Government and the shipowners and a letter for diversion could be issued only after the terms were settled. The Committee are unable to accept this plea without delay. Such diversion being an urgent matter, it should be possible to settle the terms thereof. They are of opinion that earlier approach to the agents could have facilitated the diversion without payment of extra cost inasmuch as ships coming *via* the Pacific from the West Coast of America would prefer to call at ports on the East Coast of India. The extra payment was apparently demanded by the shipowners as the instructions for the diversion of the ship were issued when it was too late.

It was brought to the notice of the Committee that there was a general reluctance on the part of the shipowners to go to Indian ports, specially Calcutta, as they apprehended delays in discharge. The Committee feel that this is a matter which Government should look into in consultation with the Port Trusts concerned.

22	43	Food
		Transport
		External Affairs
23	45	All other Ministries Food
24	48	Do.
25	49	Do. Transport

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Food

The Committee were informed by Audit that three out of the four firms had genuine offers in hand from their principals abroad early in March which were kept open for 3—4 weeks. The foreign suppliers withdrew their offers as the Indian firms did not open the letters of credit. In the meantime prices of sugar had gone up. If so, the Committee feel that it was not correct to say that the firms were let down by their suppliers abroad. Nor are the Committee convinced by the arguments for the delay in opening letters of credit. The Committee feel that such untenable explanations advanced by the contractors should not be accepted by Government as it would set a bad precedent. In their opinion selection of these firms who, it was admitted, had no experience in this line, without verifying their financial standing and capacity to fulfil the contract, was wrong. The selection of the fourth firm in particular for a contract of over Rs. 1 crore with the full knowledge that the firm had only a capital of Rs. 10,000 and that the director who negotiated on behalf of that firm was convicted for criminal breach of trust was questionable. Normal prudence required that stricter conditions should have been imposed on this firm for fulfilling the contract. On the other hand, the Committee are perturbed to find that the firm did not deposit the security deposit and that no serious notice was taken of this failure. It was urged at one stage that the intention was to encourage Indian firms. The Committee wish to point out that if the requirements of sugar were urgent as urged by the Ministry, it was hardly the occasion to experiment in this manner.

Nor were the Committee satisfied with the reasons for scaling down the liquidated damages. The plea that Government purchased in chain a large quantity of sugar subsequently at higher prices and that there was, therefore, no definite "risk purchase" as such against each defaulter and no loss to Government, was untenable. If it were accepted, there is a risk of contractors assuming that they can always escape the provisions of penalty clauses in their contracts. They would like to draw attention to their comments on a similar case in para 34 of this report.

The Committee were assured that the compilation of accounts would be expeditious and proforma accounts of the indigenous purchase of foodgrains prepared. The Committee endorse the suggestion of the Comptroller and Auditor General that the accounts of foodgrains should give a clear and comprehensible picture of the working of the scheme to Parliament and with this end in view, the Ministries of Finance and Food and Agriculture should devise, in consultation with Audit, the form in which these accounts should be prepared.

(d) It was admitted before the Committee that the Administration was at fault to a certain extent in not having sought clarification from Government. But the remoteness of the place and difficulties in communication were urged as extenuating circumstances. The Committee were not, however, convinced by this explanation. In their opinion, this is a case in which the persons who allowed these mistakes to go undetected escaped the consequences of their negligence by the passage of time.

Food

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Food

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Finance

C. & A.G.

Home Affairs

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(ii) The Committee understand that with a view to safeguarding against such typographical errors in future, instructions had been issued that in expenditure sanctions, all rates, amounts, etc. should be given not only in figures but in words as well. As such, they do not wish to press the case further.

The Committee consider the non-adjustment of accounts as a serious irregularity. They have repeatedly deprecated the tendency of keeping large sums under suspense and thus vitiating parliamentary control. In this connection, they would invite the attention of all the Ministries to their recommendations made in paragraph 14 of their Tenth Report (First Lok Sabha).

The Committee would like to be informed of the action taken by Government in this case and reserve their opinion till then.

The Committee would like to know the latest position in regard to the adjustment of the interest of Rs. 8,447.50 due from the *ex-ruler*.

The Committee would like to watch the working of the Resin and Turpentine Factory, Nahan, under the new set-up through future Reports.

The Committee feel that a more energetic drive is necessary to recover the balance of Rs. 3,78,315 some of which had been outstanding since April, 1952.

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Home Affairs

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All other Ministries

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Home Affairs

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35	64	Do.	The Committee would await the findings of the Board of Enquiry and action taken by Government thereon in the case relating to the shortage of foodgrains.
36	67	Do.	The Committee were informed that the Sarva Seva Sangh had refunded the balance, but the accounts were still under scrutiny by the Orissa Government. They would like to have a further report in due course.
37	68	Do.	The Committee regret to learn from the Secretary of the Ministry that the experiment of trying to manage the Gramdan villages through a non-official organisation has not been a happy one. They view with concern that such works involving huge financial commitments should have been entrusted to organisations about whose capacity there was no sufficient knowledge or data.
38	69	Do. ----- Finance ----- C. & A. G.	It is not clear to the Committee how the State Government or the Government of India satisfy themselves about the proper utilisation of the grant. The Committee are aware that the grants-in-aid under the first proviso to Article 275 of the Constitution have been made obligatory by the Constitution itself and are not to be determined by Parliament by law. Nevertheless, they feel, considering the large sums involved a procedure should be devised by which the C & A. G. will be in a position to report to Parliament about the utilisation of the grants for the purposes envisaged by the Constitution.
39	71	Information and Broadcasting	The Committee feel that much more needs to be done to make the public radio-minded. Introduction of a cheap radio set in the market will be a measure which would be widely appreciated by prospective listeners of small means and the Committee are unhappy to note that Government have not made much headway

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in this direction. It will be worthwhile to enlist the co-operation of the private industry in the production of cheaper sets with suitable incentives. Linking the rate of licence fee to the price of a set will act as an incentive to the prospective buyer in the lower income group and in turn to the industry.

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Transport & Communications
External Affairs.

(i) The Committee would like to know if the exchange of premises between the Tourist Office and Air India International has since taken place.

(ii) The Committee are not satisfied with the manner in which the case regarding acquisition of premises for the Tourist Office had been dealt with. Had the Ministry of Transport referred the matter to the Ministry of External Affairs on receipt of the first intimation from the Mission abroad about shifting part of the Embassy to the premises, there was a possibility of the negotiations for lease being given up.

(iii) The Ministry of External Affairs are also to blame in that they did not stick to their earlier decision but were constantly raising hopes in the minds of the other Ministry by their subsequent action over a period of 3 years. The result was that the Ministry of Transport could not take any action on their own to settle the problem.

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Transport & Communications
(Deptt. of Transport.)

All other Ministries.

The Committee are of opinion that if cases of purchase of property and lease hold lands in foreign countries are channelised through the Ministry of External Affairs and the Mission in the country concerned, it would ensure the best co-ordination which is very necessary to cut down all unnecessary outlay.

42	76	Transport & Communications (Deptt. of Transport)	The Committee would like to be informed of the final outcome of the disciplinary case against the Tourist Officer and also the remedial measures taken by Government to obviate recurrence of such cases.
43	79	Do.	The Committee are concerned to learn that even after making the Oil Jetty usable at a further cost of Rs. 5 lakhs the prospect of its being used fully is not bright unless the traffic increases by about 50% of its present level. They trust that Government will do all they can to facilitate the full use of the new Jetty in as short a time as possible.
44	81	Do.	The Committee would like to be informed of the settlement regarding excess payment made to the contractor in due course. They suggest that Government should also institute an enquiry to investigate the circumstances in which payments were made to the contractor and fix responsibility therefor.
45	83	Do. C. and A.G.	The Committee would watch the results of the measures adopted by Hindustan Shipyard (P) Ltd. to control costs, etc. through subsequent Audit Reports.
46	84	Transport & Communications. (Deptt. of Transport)	The question of claiming compensation from the Technical Consultants for the losses suffered by the Shipyard due to defects in plans and designs should be finalised quickly and result intimated to the Committee.
47	86	Transport & Communications (Deptt. of Communications & Civil Aviation)	The Committee would await the information called for from the Ministry of Transport and Communications regarding loss due to caking of cement before recording their opinion on this case. They regret to observe that too long a time is taken by the Ministry in furnishing the note.

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Transport & Communication.

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(i) In view of a clear stipulation in the lease agreement that the lessee should, if required, remove the buildings and structures owned by him and deliver the land to Government, without any compensation, it is surprising why the authorities did not choose to exercise this right when the lessee refused to pay the enhanced rent.

(Deptt. of Communications & Civil Aviation).

(ii) The officers, who took the decision to purchase the building without properly considering its utility, have erred grievously. Further it is strange that the authorities should have taken six years to come to a decision regarding the demolition of the structures which could not be put to any use and incurred an avoidable expenditure on watch and ward.

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Do.

As a commercial undertaking, the Committee see no reason why the Corporation should offer freight rates which do not cover its working expenses. The Committee feel that there is scope to bring down the working expenses. They trust that an all-out effort will be made to minimise them. The Committee will await a report about the measures actually adopted to achieve this end.

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Do.

The Committee understand that the question whether the State Governments, at whose instance uneconomic lines were being operated, should share the losses incurred by Indian Airlines Corporation, was under examination of the Government. They feel that an early settlement should be reached in the matter.

The Committee are concerned at the delays that have occurred in fixing norms of output for various categories of workers, without which the management has deprived itself of a vital instrument for controlling costs. The Committee trust that the Corporation will take a decision in this matter without further loss of time to enable it to consider, on this basis, ways of raising the co-efficient of efficiency of its workers.

In the opinion of the Committee the shifting of Administrative offices of I.A.C. to Dum Dum indicates lack of proper planning and foresight on the part of the Corporation which resulted in large avoidable expenditure.

In the absence of detailed specifications about the work of renovation of booking offices, the Committee fail to understand how the authorities could determine the cost of work and satisfy themselves that the contractor was not paid at higher rates than were necessary. Further the Committee also feel that the management should have displayed more austerity in spending on such items especially when the booking offices are located in hired accommodation and the Corporation was incurring losses every year.

The instances of irregular payments of allowances and other emoluments referred to in sub-para (vii) of para 55 of Audit Report, 1959 indicate the need for tightening up of the Administration.

The Committee would like to emphasize the need for closer watch by a senior official over the recovery of amounts due to the Corporation.

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Transport & Communications.
(Deptt. of Communications & Civil Aviation)

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56	104	Transport & Communications (Deptt. of Communications & Civil Aviation).	The officers through whose negligence the Corporation suffered the loss of Radio Equipment should not escape departmental punishment merely because it was difficult to establish their <i>malafide</i> . The Committee are unhappy that the officials who were guilty of negligence in this case were not dealt with timely but were allowed to leave the Corporation. They trust that in future such cases will be dealt with severely.
57	107	Do. C. & A.G.	The Committee attach great importance to proper maintenance of accounts and periodical verification of stores. Stores are cash in another form. They would urge upon the Corporation to give this matter serious attention. They would like to be informed of the progress made in the matter through subsequent Audit Reports.
58	108	Transport and Communications (Deptt. of Communications and Civil Aviation)	The Committee would like to know how the surplus and obsolete aircraft spares are proposed to be disposed of.

APPENDIX II

(Referred to in Para 30 of the Report)

GOVERNMENT OF INDIA

MINISTRY OF FOOD & AGRICULTURE

(DEPARTMENT OF AGRICULTURE)

Audit Report (Civil) 1958—Part I

1. *Delay in execution of scheme, Para 22, Pages 21—23.*

A note exploring the feasibility of producing security paper for currency purposes at the pilot plant referred to in this para.

In his report (August 1957) on the enquiry into the delay in setting up of the paper plant at the Forest Research Institute, Dehra Dun, Professor M. S. Thacker, Secretary, Ministry of Scientific Research & Cultural Affairs, made the following suggestions:—

“I suggest, the possibility of using this plant for producing special qualities of paper which are required in limited quantities for Government use such as for security printing, should be fully explored so as to derive the maximum benefit out of this equipment.”

This suggestion was accepted. It was also ascertained from the firm which supplied the machinery and equipment for the paper plant that the plant contained all necessary equipment for the manufacture of various types of paper and board including currency paper, bank note papers and other security papers.

2. A suggestion had also been received from the Development Wing of the Ministry of Commerce and Industry that one of the priority investigations to be undertaken with the plant should be to endeavour to produce car ridge paper of the specifications required by the Ministry of Defence. The Special Committee set up under the Chairmanship of Dr. J. W. Whitaker (Director, Indian School of Mines, Dhanbad) to progress the completion of this project, considered the suggestion made by Prof. Thacker and observed as follows:—

“With regard to raw materials, power, water, etc., it will be seen that the pre-requisites for the satisfactory running of such a project on commercial scale as mentioned in

para (iv) of Section IV—General of Prof. Thacker's report of 20th August 1957, are not fulfilled. The Committee, therefore, considers that this project of running the plant on a commercial scale to utilise the full capacity of the plant is not likely to be feasible. *This plant should be worked only for purposes of Research and Education for which it was meant and limited supplies of special types of papers as envisaged in Prof. Thacker's report—para (v)—should be manufactured within available resources of power and water and after working out the economics of such a project carefully "*

Accordingly it is intended that, after the plant is commissioned, investigations should be taken up on the feasibility of producing special types of paper utilising the surplus capacity of the plant after meeting the requirements of research and training for which it is primarily intended. It will also be necessary, as suggested by the Whitaker Committee, that the economics of such production should be worked out carefully.

3. In June, 1959 an enquiry was received from the Ministry of Finance whether this plant could be handed over to them for use in their project for setting up a security paper mill. That Ministry was informed that while it would not be possible to hand it over as desired, we would be glad to make available its spare capacity for producing limited supplies of special types of paper like security paper after the possibility of its use for this purpose had been investigated and established. It was, however, understood that the Finance Ministry was not interested in operating any plant in Dehra Dun and in any case in sharing the use of the plant with any other organisation and the matter had, therefore, been dropped.

4. The erection of the paper plant *is now complete*. The rest of the installation is expected to be completed by the end of *February*, 1960. In *March* 1960 the entire plant is, therefore, expected to go into operation. Meanwhile trial runs have already been undertaken on the paper machine utilising locally arranged pulp in the beaters.

5. It has been possible to arrange for the water supply required for running the plant to its full capacity of 6 tons per day by installing a tubewell with a capacity of about 30,000 gallons per hour. Arrangements have also been made for additional electric power of 650 KVA against the total of 800 KVAs required for operating the plant to its full capacity. As regards raw material, this will be obtained from various sources including local resources, for the purposes of training and research and also for limited production

purposes if ultimately it is decided to undertake production even of a limited scale.

6. To sum up, the feasibility of producing special types of paper will be investigated after the plant has been fully installed. If the investigations show that it will be possible to produce such paper economically, the production of such paper will be taken up to the extent of the spare capacity available after the requirements of training and research have been fully met.

AMEER RAZA,
Joint Secretary to the Govt. of India,
Ministry of Food & Agriculture,
(Deptt. of Agriculture).

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12.	The Cuttack Law Times Office, Cuttack-2.	37.	Amar Kitab Ghar, Diagonal Road, Jamshedpur-1.	61.	International consultants corporation, 48C, Marredpally (East) Secunderabad (A.P.)
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16.	Lok Milap, District Court Road, Bhavnagar.	41.	Modern Book House, 286, Jawahar Ganj, Jabalpur.	65.	Deccan Book Stall, Ferguson College Road, Poona-4.
17.	Reeves & Co., 29, Park Street, Calcutta-16.	42.	M. C. Sarkar & Sons (P) Ltd., 14, Bankim Chatterji Street, Calcutta-12.	66.	Jayna Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi-5.
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